

**COMMUNITY CARE ALLIANCE
AND AFFILIATES**

Consolidating Financial Statements

Year Ended June 30, 2019

(With Independent Auditors' Report Thereon)

COMMUNITY CARE ALLIANCE AND AFFILIATES
CONSOLIDATING FINANCIAL STATEMENTS

Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Care Alliance and Affiliates:

Report on the Consolidating Financial Statements

We have audited the accompanying consolidating financial statements of Community Care Alliance and Affiliates (collectively, the Organization) (Note 1), which comprise the consolidating statement of financial position as of June 30, 2019, and the related consolidating statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We did not audit the financial statements of Housing Partners for Positive Living, Inc., Leo Tanguay Apartments, Inc., Roland M. Boucher Apartments, Inc., and Russo Street Apartments, Inc., (collectively, HUD Borrowers Corporations), which statements reflect total assets and revenues constituting 25% and 4%, respectively, of the related consolidated totals. Those statements were audited by another auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the HUD Borrowers Corporations are based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidating 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 Organization'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 consolidating 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, based on our audit and the report of the other auditor, the consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of Community Care Alliance and Affiliates as of June 30, 2019, and the changes in their consolidating net assets and their consolidating cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Also, in our opinion, the consolidating financial statements referred to in the first paragraph present fairly, in all material respects, the individual financial position of Housing Partners for Positive Living, Inc., Leo Tanguay Apartments, Inc., Roland M. Boucher Apartments, Inc., and Russo Street Apartments, Inc., (collectively, HUD Borrowers Corporations). We express no opinion on the HUD Borrowers Corporations because those statements were audited by other auditors as indicated in the first paragraph of the Auditors' Responsibility section, as of June 30, 2019 and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2018 consolidating financial statements and, in our report dated March 29, 2019, we expressed an unmodified opinion on those consolidating financial statements. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidating financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is not a required part of the consolidating financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or the consolidating 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 consolidating 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 April 30, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Emphasis of Matter

For the year ended June 30, 2019, the Organization adopted Financial Accounting Standards Board's ASU 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*, as described in Note 2. The changes required by the update have been applied retrospectively to all period presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

Kahn, Litwin, Renya & Co., Ltd.

April 30, 2020

COMMUNITY CARE ALLIANCE AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2019
(With Comparative Totals at June 30, 2018)



	2019			2018
	Community Care Alliance	HUD Borrowers Corporations	Total	Total
Assets				
Current Assets:				
Cash	\$ 1,120,054	\$ 59,725	\$ 1,179,779	\$ 362,704
Cash held in trust, client disability income	131,504	-	131,504	178,192
Cash held in trust, tenants' security deposits	-	29,082	29,082	27,242
Accounts receivable, net	6,069,829	19,559	6,089,388	5,623,377
Prepaid expenses and other current assets	74,673	17,041	91,714	115,277
Total current assets	7,396,060	125,407	7,521,467	6,306,792
Investment, equity method	95,418	-	95,418	23,394
Reserve for Replacement and Escrows	-	618,304	618,304	597,322
Property and Equipment, net	4,715,913	3,372,900	8,088,813	8,965,119
Total other assets	4,811,331	3,991,204	8,802,535	9,585,835
Total Assets	\$ 12,207,391	\$ 4,116,611	\$ 16,324,002	\$ 15,892,627
Liabilities and Net Assets				
Current Liabilities:				
Line of credit	\$ 1,444,000	\$ -	\$ 1,444,000	\$ 1,469,000
Current portion of bond payable	95,000	-	95,000	90,000
Current portion of long-term debt	1,039,831	87,428	1,127,259	213,024
Accounts payable	1,369,683	131,551	1,501,234	1,710,365
Accrued expenses	1,135,940	70,779	1,206,719	1,399,051
Deferred revenue	370,697	-	370,697	160,504
Client disability income accounts	131,504	-	131,504	178,192
Tenants' security deposits	-	28,909	28,909	27,069
Total current liabilities	5,586,655	318,667	5,905,322	5,247,205
Bond Payable, less current portion and bond issuance costs	2,260,854	-	2,260,854	2,347,146
Long-term Debt, less current portion and debt issuance costs	774,925	3,489,658	4,264,583	4,289,280
Note Payable, Rhode Island Housing	-	106,661	106,661	97,854
Refundable Grant	-	239,300	239,300	239,300
Interest Rate Swap	641,655	-	641,655	471,860
Total liabilities	9,264,089	4,154,286	13,418,375	12,692,645
Net Assets:				
Without donor restrictions:				
Undesignated	1,138,401	-	1,138,401	1,046,801
Board designated for strategic planning	601,253	-	601,253	601,253
Board designated for replacement reserves	250,000	-	250,000	250,000
Interest rate swap	(641,655)	-	(641,655)	(471,860)
Net investment in property and equipment	1,595,303	-	1,595,303	1,583,285
Total net assets without donor restrictions	2,943,302	-	2,943,302	3,009,479
With donor restrictions:				
Undesignated	-	273,172	273,172	276,879
Designated	-	-	-	40,954
Net investment in property and equipment	-	(310,847)	(310,847)	(127,330)
Total net assets with donor restrictions	-	(37,675)	(37,675)	190,503
Total net assets	2,943,302	(37,675)	2,905,627	3,199,982
Total Liabilities and Net Assets	\$ 12,207,391	\$ 4,116,611	\$ 16,324,002	\$ 15,892,627

See accompanying notes to the consolidating financial statements and independent auditors' report.

COMMUNITY CARE ALLIANCE AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2019
(With Comparative Totals For the Year Ended June 30, 2018)



	2019			2018
	Community Care Alliance	HUD Borrowers Corporations	Total	Total
Change in Net Assets Without Donor Restrictions:				
Operating revenue and public support:				
Federal grants and contracts	\$ 2,012,983	\$ -	\$ 2,012,983	\$ 2,065,834
State and municipal grants and contracts	11,198,459	-	11,198,459	7,947,989
United Way	205,231	-	205,231	206,241
In-kind contributions	283,000	-	283,000	283,000
Rent and rent subsidies	449,160	1,418,892	1,868,052	1,705,620
Program fees	681,687	-	681,687	992,452
Third-party fees	12,250,559	-	12,250,559	13,818,535
Medicaid and medicare	3,031,507	-	3,031,507	2,440,122
Fundraising and contributions	1,461,388	-	1,461,388	482,252
Miscellaneous income	598,664	52,275	650,939	723,844
Net assets released from restrictions	40,954	-	40,954	-
Total operating revenue and public support	32,213,592	1,471,167	33,684,759	30,665,889
Program services:				
Acute services	5,714,704	-	5,714,704	4,150,070
Community support services	6,865,636	-	6,865,636	6,735,482
Child and family services	11,160,045	-	11,160,045	10,289,948
Housing services	2,688,118	1,352,461	4,040,579	4,305,268
Employment and training	1,626,364	-	1,626,364	1,641,341
Support services:				
Management and general	3,649,975	305,930	3,955,905	3,645,609
Fundraising expenses	56,088	-	56,088	60,463
Total operating expenses	31,760,930	1,658,391	33,419,321	30,828,181
Change in operating net assets without donor restrictions	452,662	(187,224)	265,438	(162,292)
Non-operating revenue and support:				
Loss on disposal of assets	(349,044)	-	(349,044)	-
Change in interest rate swap	(169,795)	-	(169,795)	152,929
Change in non-operating net assets without donor restrictions	(518,839)	-	(518,839)	152,929
Change in net assets without donor restrictions	(66,177)	(187,224)	(253,401)	(9,363)
Change in Net Assets With Donor Restrictions:				
Net assets released from restrictions	(40,954)	-	(40,954)	-
Change in net assets with donor restrictions	(40,954)	-	(40,954)	-
Change in Total Net Assets	(107,131)	(187,224)	(294,355)	(9,363)
Net Assets, beginning of year	3,050,433	149,549	3,199,982	3,209,345
Net Assets, end of year	\$ 2,943,302	\$ (37,675)	\$ 2,905,627	\$ 3,199,982

COMMUNITY CARE ALLIANCE AND AFFILIATES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019
(With Comparative Totals For the Year Ended June 30, 2018)



	2019								2018					
	Community Care Alliance							HUD Borrowers Corporation						
	Acute Services	Community Support Services	Child and Family Services	Housing Services	Employment and Training	Total Program	Management and General	Fundraising	Total	Housing Services	Management and General	Total	Total Expenses	Total Expenses
Salaries and fringe expenses	\$ 4,549,089	\$ 5,999,778	\$ 8,068,888	\$ 1,454,397	\$ 1,139,293	\$21,211,445	\$ 2,996,245	\$ 32,467	\$24,240,157	\$ -	\$ -	\$ -	\$24,240,157	\$22,514,584
Professional service fees	324,769	124,505	352,854	93,759	149,841	1,045,728	183,166	1,953	1,230,847	336,781	-	336,781	1,567,628	2,132,529
Client expenses	270,853	188,437	1,958,113	209,847	198,087	2,825,337	34,045	405	2,859,787	-	-	-	2,859,787	2,182,611
Occupancy	543,655	520,587	735,247	910,717	132,075	2,842,281	376,534	4,163	3,222,978	1,015,680	305,930	1,321,610	4,544,588	3,336,962
Office expenses	26,338	32,329	44,943	19,398	7,068	130,076	59,985	17,100	207,161	-	-	-	207,161	661,495
Total expenses	\$ 5,714,704	\$ 6,865,636	\$11,160,045	\$ 2,688,118	\$ 1,626,364	\$28,054,867	\$ 3,649,975	\$ 56,088	\$31,760,930	\$ 1,352,461	\$ 305,930	\$ 1,658,391	\$33,419,321	\$30,828,181

COMMUNITY CARE ALLIANCE AND AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019
(With Comparative Totals For the Year Ended June 30, 2019)



	2019			2018
	Community Care Alliance	HUD Borrowers Corporations	Total	Total
Cash Flows from Operating Activities:				
Change in total net assets	\$ (107,131)	\$ (187,224)	\$ (294,355)	\$ (9,363)
Adjustments to reconcile change in total net assets to net cash provided by operating activities:				
Depreciation	478,482	300,278	778,760	840,005
Amortization of bond issuance costs	8,708	-	8,708	9,500
Net unrealized gain on investment, equity method	(214,524)	-	(214,524)	(105,309)
Imputed interest	-	-	-	7,435
Loss on disposal of fixed asset	349,044	-	349,044	
Change in interest rate swap	169,795	-	169,795	(152,929)
Changes in assets and liabilities:				
Cash held in trust, tenants' security deposits	-	(1,840)	(1,840)	660
Accounts receivable	(458,475)	(1,884)	(460,359)	(918,170)
Prepaid expenses and other current assets	304	23,259	23,563	44,201
Reserve for replacement and escrows	-	(20,982)	(20,982)	15,399
Accounts payable	(204,913)	(4,218)	(209,131)	505,588
Accrued expenses	(171,697)	(20,635)	(192,332)	154,527
Deferred revenue	210,193	-	210,193	70,865
Tenants' security deposits	-	1,840	1,840	(660)
Net cash provided by operating activities	59,786	88,594	148,380	461,749
Cash Flows from Investing Activities:				
Proceeds from investment, equity method	142,500	-	142,500	116,666
Acquisition of property and equipment	(204,839)	(52,311)	(257,150)	(563,016)
Net cash used by investing activities	(62,339)	(52,311)	(114,650)	(446,350)
Cash Flows from Financing Activities:				
Payments on line of credit, net	(25,000)	-	(25,000)	245,000
Payment on bond payable	(90,000)	-	(90,000)	(85,000)
Proceeds on long-term debt	1,368,164	-	1,368,164	-
Repayments on long-term debt	(399,717)	(70,102)	(469,819)	(227,451)
Net cash provided (used) by financing activities	853,447	(70,102)	783,345	(67,451)
Net Increase (Decrease) in Cash	850,894	(33,819)	817,075	(52,052)
Cash, beginning of year	269,160	93,544	362,704	414,756
Cash, end of year	\$ 1,120,054	\$ 59,725	\$ 1,179,779	\$ 362,704

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

1. Nature of Operations

Community Care Alliance (CCA) (the Organization) is a multi-service organization, providing counseling and professional services, as well as housing, employment, basic needs, financial stability, and peer support services to help its clients overcome challenges. CCA is accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF), licensed by the RI Department of Behavioral Healthcare, Developmental Disabilities & Hospitals (BHDDH), and certified by the RI Department of Education (RIDE) and the Department of Human Services Kids Connect.

The following entities (collectively, the Affiliates) are included in the accompanying consolidating financial statements of the Organization:

- HUD Borrowers Corporations:
 - Housing Partners for Positive Living, Inc.
 - Leo Tanguay Apartments, Inc.
 - Roland M. Boucher Apartments, Inc. (Boucher Apartments)
 - Russo Street Apartments, Inc., d/b/a Albert P. Morin Apartments (RSA)

The HUD Borrowers Corporations are single purpose, 501(c)(3), RI non-profit organizations, sponsored by CCA. The entities own and operate low rent housing for elderly, disabled, or chronically mentally ill adults. The financing of these apartment buildings are amortizing Housing and Urban Development (HUD) issued mortgages or HUD capital advances through the HUD 202 & 211 programs. CCA provides supportive services to the tenants as part of these agreements. Each corporation is organized to be self sustaining and none of the income, assets or liabilities of one corporation is shared with the other corporations or CCA.

CCA also does business using specific program names as follows:

- Robert J. Wilson House
- Mabel Anderson House
- Viola M. Berard School
- Capitol Hill House
- Chicoine House
- Singleton House
- Teddy Jackson House
- Tanguay Apartments
- Sutherland Apartments
- Sadwin Apartments
- Evergreen House
- Warren Manor
- Blackstone Valley Mental Health Realty Group

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of CCA and the HUD Borrowers Corporations (collectively, the Organization) is presented to assist the reader in understanding the Organization's consolidating financial statements. The consolidating financial statements and notes are representations of the Organization's management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidating financial statements.

Accounting Pronouncement Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statement for Not-for-Profit Entities*. The standard is intended to simplify and improve how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity and availability of resources, financial performance, and cash flows. Upon adoption, net assets were reduced to two classes (with and without donor restriction). The Organization adopted the provisions of this new standard during the year ended June 30, 2019

Principles of Consolidation

The consolidating financial statements include the accounts of the Organization. CCA has the ability to appoint and elect the Board of Directors of each of the Affiliates. All significant intercompany balances and transactions are eliminated in consolidation.

Financial Statement Presentation

The Organization prepares its consolidating financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

Comparative Financial Information

The accompanying consolidating financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidating financial statements for the year ended June 30, 2018, from which the summarized information was derived.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

Performance Indicator

In the accompanying consolidating statement of activities, the primary indicator of the Organization's results is change in operating net assets without donor restrictions. As such, it includes all support, revenue, and operating expenses. Transactions such as change in interest rate swap are included as a component of change in non-operating net assets without donor restrictions in the consolidating statement of activities.

Accounts Receivable

Accounts receivable are carried at net realizable value. Doubtful accounts are provided for on the basis of anticipated collection losses. The estimated losses are determined from historical collection experience and a review of outstanding accounts receivable. A receivable is considered past due if the Organization has not received payment within stated terms. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. The allowance for doubtful accounts was approximately \$291,200 at June 30, 2019.

The Organization does not accrue interest on accounts receivable.

Property and Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are expensed as incurred. Renewals and betterments in excess of \$1,000 that materially extend the life of the assets are capitalized. Donated assets are recorded at fair market value. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 39 years.

Bond and Debt Issuance Costs

Bond and debt issuance costs relate to financing fees incurred in securing a bond commitment and a long-term debt agreement that are amortized over the life of the related debt. Bond and debt issuance costs are recorded as a direct deduction from the carrying amount of that liability.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities CCA has the ability to access.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

Level 2 are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs are developed based on the best information available in the circumstances and may include CCA's own data.)

CCA reports fair value on a recurring basis. The interest rate swap agreement is classified as Level 2 within the fair value hierarchy.

The level 2 interest rate swap agreement is valued based upon valuation models which utilize relevant factors such as the contractual terms of the interest rate swap agreement, credit spreads for the contracting parties and interest rate curves.

Revenue Recognition

Grants and Contracts

The Organization recognizes revenue from cost reimbursement grants as expenditures are incurred and revenue from other contracts when the contractual obligations have been met. From time to time, the Organization may receive funds in advance of when revenue should be recognized, which are recorded as deferred revenue on the accompanying consolidating statement of financial position.

Fees for Service and Other Sources

The Organization recognizes fees for service and other revenue when services to clients have been rendered.

Contributions

The Organization recognizes contributions in the fiscal year in which the contribution is made. Contributions are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. However, it is the policy of the Organization to recognize contributions with donor restrictions that are both received and expended in the current year as contributions without donor restrictions.

Donated Services and In-kind Contributions

Contributions of donated non-cash assets are recorded at their fair market values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation are recorded at their fair market values in the period received.

Rent and Rent Subsidies

The Organization recognizes revenue ratably over the term of the related lease or rental agreement.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

Income Taxes

The Organization is a public charity exempt from federal income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code. Management believes that the Organization operates in a manner consistent with its tax-exempt status at both the federal and state level.

The Organization annually files IRS Form 990, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These returns are subject to review by the taxing authorities generally for three years after they were filed. The Organization currently has no tax examinations in progress.

Concentration of Credit Risk and Market Risk

Financial instruments which potentially subject the Organization to concentrations of credit and market risks are cash, accounts receivable, HUDBC properties and revenue.

The Organization maintains its operating accounts in several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to specified limits. From time to time, the Organization had bank balances in excess of federally insured limits.

Based on a review of receivables and collections from payors to date and past history of collections, CCA has determined that the reserve for uncollectible accounts recorded at year end is considered sufficient.

The primary assets of the HUD Borrowers Corporations are 102 apartment units in 11 different apartment buildings. Their operations are concentrated in the subsidized real estate market. In addition, they operate in a heavily regulated environment, subject to administrative directives, rules and regulations of federal regulatory agencies, specifically HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD.

Estimates and Assumptions

The preparation of consolidating 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, disclosure of contingent assets and liabilities at the date of the consolidating financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Allocation of Expenses

The consolidating financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Certain costs of the Organization benefit more than one program and/or support service. Accordingly, these costs have been allocated in a systematic and rational manner among the programs benefited. Allocation factors used are space, burden on IT systems and full-time employees.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

Recent Accounting Pronouncements

The following is a summary of recent authoritative pronouncements that could impact the accounting, reporting, and/or disclosure of financial information by the Organization.

In August 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-14, *Revenue from Contracts with Customers*, which is effective for annual periods beginning after December 15, 2018. The standard requires an entity to 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. This ASU will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. This standard will be effective for the Organization's year ending June 30, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is effective for annual periods beginning after December 15, 2019. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending June 30, 2021, with early adoption permitted. The Organization is currently in the process of evaluating the impact of adoption on the consolidating financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which is effective for annual periods beginning after December 15, 2018. The standard provides guidance on the classification of certain transactions in the statement of cash flows. When adopted, the new guidance will be applied retrospectively. This standard will be effective for the Organization's year ending June 30, 2020.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is effective for annual periods beginning after December 15, 2018. The standard provides guidance on characterizing grants and similar contracts as reciprocal exchanges or contributions, determining whether a contribution is conditional and the simultaneous release option. This standard will be effective for the Organization's year ending June 30, 2020.

Subsequent Events

The COVID-19 outbreak in the United States has caused disruption through mandated and voluntary closings of some of the Organization's programs. The Organization has taken steps to reduce operating expenses and exposure. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the interruptions to service. As of April 30, 2020, the date these consolidating financial statements were available to be issued, the extent to which COVID-19 may impact the financial condition or the results of operations is unknown.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

3. Liquidity and Availability

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

Financial assets:

Cash	\$ 1,179,779
Accounts receivable	6,089,388
Financial assets, at year end	<u>7,269,167</u>

Less those unavailable for general expenditure within one year, due to:

Restricted by donor with purpose	<u>-</u>
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Financial assets available to meet cash needs for general expenditures within one year

\$ 7,269,167

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a line of credit with a bank for \$1,500,000 (Note 7). At June 30, 2019, the outstanding balance on the line of credit was \$1,444,000.

4. Investment, Equity Method

CCA has a 33% interest in a related party, Horizon Pharmacy, LLC (Horizon). CCA accounts for this investment under the equity method of accounting. Under this method, the initial investment was recorded at cost. Subsequently, the carrying amount of the investment will be adjusted to reflect CCA's share of the net income or loss of Horizon. CCA received capital distributions from Horizon of \$142,500 during the year ended June 30, 2019.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

5. Property and Equipment

Property and equipment consisted of the following:

Land	\$	1,102,661
Buildings and improvements		19,490,633
Furniture and equipment		4,267,487
Vehicles		467,948
Projects in process		86,111
		<hr/>
		25,414,840
Less accumulated depreciation		<hr/>
		17,326,027
		<hr/>
Property and equipment, net	\$	<u>8,088,813</u>

Projects in process at June 30, 2019 represent costs for computer equipment not yet placed into service. These assets will begin to depreciate in fiscal year 2020 when they are placed into service.

6. Beneficial Interest in Perpetual Trusts

CCA holds a beneficial interest in two separate perpetual trusts. Under the terms of the agreement, CCA has the irrevocable right to receive distributions from the trusts' earnings as determined by the trustee. Distributions are to be used by CCA to fulfill its tax-exempt purpose. The principal is retained by the trust and is held and owned by the Rhode Island Foundation. CCA received approximately \$53,700 in distributions from the trusts during the year ended June 30, 2019, which have been included in miscellaneous income on the accompanying consolidating statement of activities.

7. Line of Credit

Effective September 17, 2014, CCA entered into a line-of-credit agreement with the bank providing for borrowings up to \$1,500,000 with interest equal to LIBOR plus 3% (6.15% at June 30, 2019). The agreement expires April 30, 2020.

The line-of-credit agreement contains covenants regarding certain operating activities and financial statement amounts and ratios of CCA. At June 30, 2019, CCA was in violation of certain covenants; however, a waiver was received from the bank for such covenant violations.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

8. Bond Payable

In June 2007, a variable rate Rhode Island Health Education Building Corporation (RIHEBC) bond was issued to finance the cost of acquisition and renovation of an office building at 800 Clinton Street., Woonsocket, for the primary use as administration and clinical offices; finance the capital improvements to certain residential facilities in Providence, Johnston and Pawtucket; refinance and refund existing indebtedness and retiring existing related mortgages with respect to certain projects located in Providence, Pawtucket and Woonsocket; and pay capitalized interest and certain costs of the issuance of the bond. Interest on the bond is payable monthly at a variable rate (.65% at June 30, 2019) determined by the bank. CCA has a fixed interest rate swap of 4.241% on the bond (Note 11). The bond is due in varying installments through June 2037 and is secured by CCA's accounts receivable, certain real estate and the bank's letter of credit.

CCA secured a \$3,247,343 letter of credit with Bank of America to cover an amount up to the outstanding balance of the bonds at the time of redemption. Under the letter of credit, Bank of America is obligated to pay to Wells Fargo Bank, N.A. as trustee, the current principal balance and interest on the bonds of up to 45 days at the maximum rate of 12% on the bonds. The original letter of credit expired on June 19, 2010 and has been renewed annually through June 30, 2020.

The bond and letter-of-credit agreements contain covenants regarding certain operating activities and financial statement amounts and ratios of CCA. At June 30, 2019, the Organization was in violation of certain covenants; however, a waiver was received from the bank for such covenant violations.

Scheduled maturities of bond repayment are as follows:

<u>Year Ending</u>		
2020	\$	95,000
2021		100,000
2022		100,000
2023		105,000
2024		105,000
Thereafter		1,945,000
Total bond payable		<u>2,450,000</u>
Less unamortized bond issuance costs		<u>94,146</u>
Total bond payable, less bond issuance costs	\$	<u><u>2,355,854</u></u>

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019



9. Long-term Debt

Long-term debt consisted of the following:

Interest-free note payable to the State of Rhode Island, due in monthly installments of \$137,500 through December 31, 2019.	\$ 825,000
Term note payable to a bank, due in monthly installments of \$4,913 including interest at 5.33% through April 2028, with the remaining principal due at that time. The note is secured by all CCA assets.	415,991
Note payable to the Rhode Island Foundation, due in monthly installments of \$6,543 including interest at 3.00% through June 2022. The note is secured by all CCA assets.	225,000
Mortgage payable to a bank, due in monthly installments of \$2,739 that includes interest payable at 4.6% through February 2026; secured by real estate at 116 Greene Street, Woonsocket, RI.	189,934
Mortgage payable to a bank, due in monthly installments of \$5,418 that includes interest payable at 7.25% through November 2021; secured by real estate at 203 Greenville Avenue, Johnston, RI and 292 Elmwood Avenue, Providence, RI.	79,167
Interest-free term notes payable to a financing company, due in monthly installments of \$1,065 through July 2022; secured by two vehicles.	39,406
Note payable to a financing company, due in monthly installments of \$525 that includes interest payable at 5.99% through January 2025; secured by a vehicle.	29,428
Note payable to a financing company, due in monthly installments of \$200 that includes interest payable at 7.29% through January 2025; secured by a vehicle.	10,830
Boucher Apartments mortgage payable to HUD, due in monthly installments of \$19,651 with interest payable at 4.05% through June 2044; insured under Section 223(f) of the National Housing Act; secured by real estate apartments located in seven (7) multi-unit properties in Woonsocket, RI.	3,703,470
Total long-term debt	5,518,226

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019



Less current portion of long-term debt	1,127,259
Long-term debt, less current portion	4,390,967
Less unamortized debt issuance costs	126,384
Long-term debt, less current portion and debt issuance costs	\$ 4,264,583

Scheduled maturities of long-term debt are as follows:

<u>Year Ending</u>	
2020	\$ 1,127,259
2021	272,032
2022	261,156
2023	180,131
2024	187,393
Thereafter	3,490,255
Total	\$ 5,518,226

The mortgage and related agreements payable to HUD require the HUD Borrowers' Corporations to make monthly deposits for taxes, insurance and replacement of project assets. The agreements also contain certain other covenants and restrictions relating to, but not limited to, transfer and disposal of property, maintenance of insurance and methods of conducting project operations. Management believes they are in compliance with all covenants at June 30, 2019.

In addition, the mortgage provides for an escrow to be used for rehabilitation of the properties. Cash surplus, if any, is required to be deposited into a residual receipts reserve to be used for future operations of the project, with the approval of HUD.

10. Note Payable, Rhode Island Housing

Boucher Apartments received \$300,000 under an agreement with BHDDH for the purpose of distributing the proceeds from bonds issued by the State of Rhode Island to fund the acquisition and renovation of housing for mentally ill adults.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

Provisions of the agreement require that Boucher Apartments purchase, renovate and equip five multi-family buildings to house at least 31 mentally ill adult residents of northern Rhode Island. The agreement also contains requirements for insurance and prohibitions against the sale, lease or other encumbrances of the properties for a period of 40 years after the beginning of the HUD mortgage.

At the end of the 40-year period described above (February 2032), Rhode Island Housing may exercise one of the following options: (1) extend the agreement for an additional 20 years; (2) terminate the agreement and require repayment of the entire amount or lesser amounts as determined by a formula based on the current market value of the properties at the time of termination; or, (3) terminate the agreement and not require repayment of the grant funds. The agreement does not call for interest or repayment of principal except as noted above. The total amount of the note has been discounted to its present value of \$97,854.

11. Refundable Grant

RSA received a Thresholds grant from BHDDH through Rhode Island Housing and Mortgage Finance Corporation (RIHMFC) totaling \$239,300. Under the terms of the grant agreement, RSA cannot sell, lease or encumber the property at 38 and 44 Bergin Street, Providence, RI through August 2043 without BHDDH's permission.

In August 2043, BHDDH may exercise one of three options: (1) extend the agreement co-terminus with the HUD subsidies; (2) require repayment of the greater of the amount of the grant or 20.43% of the fair market value of the property; or (3) terminate the agreement without repayment. The agreement does not call for interest or repayment of principal except as noted herein.

12. Interest Rate Swap

In June 2007, CCA entered into an interest rate swap contract to manage its exposure to interest rate risk associated with its variable rate bonds issued by RIHEBC (Note 8). The swap was not entered into for trading or speculative purposes. As a result of the use of the swap, CCA is exposed to risk that the counterparties will fail to meet their contractual obligation. To mitigate the counterparty risk, CCA only enters into contracts with selected major financial institutions based upon their credit ratings and other factors and continually assesses the creditworthiness of counterparties. At June 30, 2019, all of the counterparties to CCA's interest rate swap had investment grade ratings. To date, all counterparties have performed in accordance with their contractual obligation.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

Under the terms of this agreement, CCA pays a fixed rate, determined at inception, to a third party who in turn pays a variable rate on these respective notional principal amounts to the bondholders. The estimated fair value of the swap is recorded on the consolidating statement of financial position as a long-term liability titled Interest Rate Swap. The estimated fair value of the swap represents the estimated cost to CCA if CCA were to cancel the agreement as of June 30, 2019, which is based on option pricing models that consider risks and market factors. CCA does not intend to cancel the agreement. The swap is considered a Level 2 financial instrument.

CCA had the following interest rate swap outstanding at June 30, 2019:

Notional Amount	Termination Date	Interest Rate Received	Interest Rate Paid	Fair Value	Change in Fair Value
\$ 2,540,000	June 2037	LIBOR Rate	4.241%	\$ (641,655)	\$ (169,795)

13. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following:

Undesignated, Board Designated, and Board Designated for Replacement Reserves – Undesignated funds may be spent at the discretion of the President/CEO. Board designated funds are managed by the Board of Directors, which have been set aside for strategic purposes that may only be used with the approval of the Board of Directors.

Interest Rate Swap – The approximate unrealized loss on the interest rate swap.

Net Investment in Property and Equipment – The value of property and equipment, net of depreciation, used in the Organization’s operations. This amount is offset by outstanding liabilities related to the assets, such as bond and long-term debt payables.

Net Assets With Donor Restrictions

HUD Borrowers Corporations

Net assets with donor restrictions relate to HUD financed properties that have restrictions as part of their financing agreements. These properties must be used in conformance with HUD rules and regulations for the period of their financing, usually 40 years or until refinancing of a property occurs.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

14. Employee Retirement Plan

CCA sponsors a retirement plan under Internal Revenue Code Section 403(b) (the Plan). The Plan covers all employees who have completed six months of service (1,000 hours). Employees who normally work less than 20 hours per week are eligible for salary reduction and employer matching contributions after one year of service. CCA electively matches the sum of 100% of contributions a participant defers into the Plan up to 1% of eligible compensation and 25% of contributions a participant defers into the Plan that exceed 1% but are up to 5% of eligible compensation. The Plan also allows for CCA to make non-elective contributions at the discretion of the Board of Directors. No non-elective contributions were made for the year ended June 30, 2019.

CCA contributed approximately \$174,800 to the Plan for the year ended June 30, 2019.

15. Commitments and Contingencies

The Organization had the following commitments and contingencies:

Operating Lease Commitments

CCA leases various equipment under non-cancellable operating leases, which expire at various dates through June 2021.

Approximate aggregate minimum lease payments under these operating leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
2020	\$ 136,400
2021	120,000
Total	\$ 256,400

CCA leases office space, parking spaces, and other equipment on a month-to-month basis. CCA also rents apartments in several locations throughout Woonsocket, Rhode Island for its apartment and temporary shelter programs under cancellable lease agreements. The agreements may be cancelled by CCA by giving 30-days written notice to the owner. Monthly rental payments range from \$600 to \$950 plus utilities and are renewed annually. The total expense incurred under the foregoing and other operating leases and monthly rental agreements amounted to approximately \$579,000 for the year ended June 30, 2019.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

Medicare and Medicaid Contingencies

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with laws and regulations can be subject to future government review and interpretation as well as significant regulatory action; failure to comply with such laws and regulations can result in fines, penalties and exclusion from the Medicare and Medicaid programs.

Litigation

The Organization is, from time to time, subject to legal proceedings and claims that arise in the normal course of business. In the opinion of management, the amount of ultimate liability with respect to actions outstanding as of June 30, 2019 will not have a material adverse effect on the Organization's financial position or its result of operations.

16. Donated Services, Materials and Facilities

CCA receives donated services from a variety of unpaid volunteers assisting CCA in administrative and program services. No amounts have been recognized in the accompanying consolidating statement of activities, as the criteria for recognition of such volunteer effort under authoritative guidance has not been satisfied.

CCA occupies three BHDDH facilities under lease agreements for either minimal rent or no rent being paid by CCA. CCA has estimated the fair value of the annual rent at approximately \$283,000 for the year ended June 30, 2019. The fair value of rent is included as in-kind contributions and program expenses in the consolidating statement of activities.

17. Related Party Transactions

CCA is the sponsoring organization for all of the HUD Borrowers Corporations, as such program services are provided to eligible tenants. The debt agreements of the HUD Borrowers Corporations (Note 9) are secured by the HUD Borrowers Corporations assets. CCA is not liable nor at risk of loss relating to these agreements, except as described in Note 9.

CCA has an arrangement with The Kent Center, a non-profit mental health agency, wherein CCA is co-sponsor of East Bay Residential Option, Inc., a HUD 811 Borrowers Corporation which has acquired, rehabilitated and rents 10 units of housing on Main Street in Warren, Rhode Island. CCA is an equal co-sponsor and has 50% equity potential at the end of the contract period. The project cost at the end of the renovation was approximately \$1.5 million. There are no direct liabilities to CCA to repay the debt; therefore, no assets or liabilities associated with this project are included on the CCA consolidating financial statements at June 30, 2019.

COMMUNITY CARE ALLIANCE AND AFFILIATES
NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS
Year Ended June 30, 2019

CCA and other RI community mental health centers formed a not-for-profit management services organization, Horizon Healthcare Partners, in November 2010. The purpose of this entity is to develop new revenues and/or reduce operating expenses by coordinating or combining the efforts of CCA, Newport County Mental Health Center and The Kent Center.

18. Supplemental Disclosures of Cash Flow Information

Cash paid for interest for the year ended June 30, 2019 was \$334,500.

COMMUNITY CARE ALLIANCE

Reports Required by
*Government Auditing Standards -
Title 2 U.S. Code of Federal Regulations
Part 200 – Uniform Administrative
Requirements, Cost Principles,
and Audit Requirement for Federal Awards*

Year Ended June 30, 2019

COMMUNITY CARE ALLIANCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019



<u>Federal Grantor Program Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development:</u>			
<i>Passed through the City of Cumberland</i>			
Community Development Block Grant – Entitlement Grant	14.218	ESG18-19	\$ 32,637
<i>Direct Federal Funding</i>			
Emergency Solutions Grants Program	14.231	CHF-18-19ES/City	35,132
Emergency Solutions Grants Program	14.235	N/A	266,205
Supportive Housing Program	14.235	RI0006B1T0001710	128,540
Supportive Housing Program	14.235	RI0038L1T001710	10,238
Supportive Housing Program Burnside	14.235	RI0034L1T001700	14,803
Shelter Plus Care	14.238	N/A	87,798
Housing Opportunities for Persons with AIDS	14.241	RI0049L1T001703	67,183
Housing Opportunities for Persons with AIDS	14.241	CHF18RRH	175,000
Total Direct Federal Funding			<u>784,899</u>
Total U.S. Department of Housing and Urban Development			<u>817,536</u>
<u>U.S. Department of Labor</u>			
<i>Passed through the Workforce Partnership of Greater Rhode Island</i>			
WIA Youth Activities	17.259	WIA2017-6000-09	185,460
Total U.S. Department of Labor			<u>185,460</u>
<u>U.S. Department of Treasury:</u>			
<i>Direct Federal Funding</i>			
Low Income Taxpayers Clinics	21.008	N/A	28,750
Total U.S. Department of Treasury			<u>28,750</u>

COMMUNITY CARE ALLIANCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (Continued)
Year Ended June 30, 2019



<u>Federal Grantor Program Title</u>	<u>CFDA Number</u>	<u>Award Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Human Services</u>			
<i>Passed through the State of Rhode Island Department of Human Services</i>			
Community Service Block Grants	93.569	CSBG 18-05	50,055
Community Service Block Grants	93.569	CSBG 19-05	272,094
Opioid STR	93.788	Serenity – SOR	9,017
Opioid STR	93.788	Mobile Treatment - SOR	44,845
Healthy Transition	93.243	N/A	473,903
			<u>849,914</u>
 <i>Passed through the State of Rhode Island Office of Housing and Development</i>			
Social Service Block Grant	93.667	N/A	131,323
			<u>131,323</u>
Total U.S. Department of Human Services			<u>981,237</u>
 Total Expenditures of Federal Awards			 <u><u>\$ 2,012,983</u></u>

COMMUNITY CARE ALLIANCE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of CCA 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 Title 2 U.S. *Code of Federal Regulations* Part 200 - *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of CCA, it is not intended to and does not present the financial position, change in net assets, or cash flows of Community Care Alliance.

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 2 CFR, Part 230, *Cost Principles for Non-profit Organizations* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

3. Indirect Cost Rate

CCA has a federally approved indirect cost rate agreement and therefore, is not subject to the 10-percent de minimis cost rate 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

To the Board of Directors of
Community Care Alliance:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Community Care Alliance (CCA) (a non-profit organization), which comprise the consolidating statement of financial position as of June 30, 2019, and the related consolidating statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidating financial statements, and have issued our report thereon dated April 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CCA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CCA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-01, which we consider to be a material weakness.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCA's 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-01.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kahn, Litwin, Kenya & Co, Ltd.

April 30, 2020

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

To the Board of Directors of
Community Care Alliance:

Report on Compliance for Each Major Federal Program

We have audited Community Care Alliance's (CCA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CCA's major federal programs for the year ended June 30, 2019. CCA'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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CCA'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 requirement 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 could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CCA'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 CCA's compliance.

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

Opinion on Major Federal Program

In our opinion, CCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of CCA 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 CCA'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 the CCA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kahn, Litwin, Renya & Co., Ltd.

April 30, 2020

COMMUNITY CARE ALLIANCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018



SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- Material weaknesses identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? yes none reported
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.243	Healthy Transitions

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

Auditee qualified as low-risk auditee yes no

COMMUNITY CARE ALLIANCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (Continued)
Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-01 Controls Over Cash, Accruals and Accounts Receivable Accounts – Monthly Reconciliations

Condition:

During fiscal 2019, bank account, accrual and accounts receivable reconciliations were not prepared and reviewed in a timely manner.

Criteria:

In order to make the financial reports generated by the accounting system as meaningful as possible, the Organization should reconcile the general ledger accounts for cash, accrued liabilities and accounts receivable to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate, but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

Perspective and Questioned Costs:

Undeterminable.

Cause and Effect:

As of June 30, 2019, several cash, accruals and accounts receivable accounts were not reconciled. (Note: All accounts through June 30, 2019 were subsequently reconciled.)

Recommendation:

We recommend that accounts receivable listings be reconciled to the general ledger on a monthly basis and that bank accounts should be reconciled and reviewed for accuracy and completeness on a timely basis by an appropriate member of management. In addition, all accrued liabilities should be properly reconciled monthly to ensure proper reporting of liabilities and expenses.

View of Responsible Officials:

Management agrees with the finding. CCA has subsequently put controls into place to ensure all accounts are reconciled on a timely basis and reviewed appropriately.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV - SCHEDULE OF PRIOR YEAR AWARD FINDINGS AND QUESTIONED COSTS

None noted.

**COMMUNITY CARE ALLIANCE AND
AFFILIATES**

Corrective Action Plan

Year Ended June 30, 2019

COMMUNITY CARE ALLIANCE AND AFFILIATES
Corrective Action Plan
Year Ended June 30, 2019

Finding 2019-01

Controls Over Cash, Accruals and Accounts Receivable Accounts – Monthly Reconciliations

Department's Response:

The Organization is in agreement with the recommendation and will complete the reconciliations on a timely basis.

Views of Responsible Offices and Corrective Action Plan:

Management agrees with the finding. CCA has subsequently put controls into place to ensure all accounts are reconciled on a timely basis and reviewed appropriately.

Name of Responsible Person: Rita Gandhi, CFO

Name of Department Contact: Rita Gandhi, CFO

Projected Implementation Date: Implemented