

**COMMUNITY CARE ALLIANCE  
AND AFFILIATES**

**Consolidating Financial Statements**

**Year Ended June 30, 2019**

**(With Independent Auditors' Report Thereon)**







*Kahn, Litwin, Renya & Co., Ltd.*





















**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:

<u>Notional Amount</u>	<u>Termination Date</u>	<u>Interest Rate Received</u>	<u>Interest Rate Paid</u>	<u>Fair Value</u>	<u>Change in Fair Value</u>
\$ 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>
<b>Total Expenditures of Federal Awards</b>			<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.