

**NATIONAL INSTITUTE FOR PEOPLE WITH
DISABILITIES OF NEW JERSEY**

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2022 and 2021

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

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June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
National Institute for People with Disabilities of New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Institute for People with Disabilities of New Jersey ("NIPD-NJ"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NIPD-NJ as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of NIPD-NJ and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NIPD-NJ's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NIPD-NJ's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NIPD-NJ's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2023, on our consideration of NIPD-NJ's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NIPD-NJ's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NIPD-NJ's internal control over financial reporting and compliance.

Mercadieu, P.C.
Certified Public Accountants

March 17, 2023

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENTS OF FINANCIAL POSITION June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash	\$ 2,438,594	\$ 1,864,097
Accounts receivable, net of allowance of \$57,885 in 2022 and 2021	720,018	724,957
Prepaid expenses and other assets	68,266	43,456
Total current assets	3,226,878	2,632,510
Property and equipment, net	2,049,763	2,133,013
Right-of-use asset - operating leases	106,484	-
Security deposits	24,822	24,822
Total Assets	\$ 5,407,947	\$ 4,790,345
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 656,575	\$ 743,631
Advances payable and other	60,981	212,641
Mortgages payable	24,000	24,000
Lease liability - operating leases	106,484	-
Due to YAI, Inc. (see Note G)	265,509	144,179
Total Current Liabilities	1,113,549	1,124,451
Due to YAI, Inc., net of current portion (see Note G)	615,536	815,536
Mortgages payable, net of current portion	926,504	950,504
Total Liabilities	2,655,589	2,890,491
Net Assets		
Without donor restrictions	2,744,158	1,891,654
With donor restrictions	8,200	8,200
Total Net Assets	2,752,358	1,899,854
Total Liabilities and Net Assets	\$ 5,407,947	\$ 4,790,345

See notes to financial statements.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Government support and Medicaid	\$ 7,840,391	\$ -	\$ 7,840,391
Client fees and private pay	566,709	-	566,709
Contributions	19,037	-	19,037
Interest income and other	30,387	-	30,387
Total operating revenues	<u>8,456,524</u>	<u>-</u>	<u>8,456,524</u>
Operating expenses			
Program services	6,443,964	-	6,443,964
General and administrative	1,160,056	-	1,160,056
Total operating expenses	<u>7,604,020</u>	<u>-</u>	<u>7,604,020</u>
Change in net assets from operations	852,504	-	852,504
Net assets, beginning of year	1,891,654	8,200	1,899,854
Net assets, end of year	<u>\$ 2,744,158</u>	<u>\$ 8,200</u>	<u>\$ 2,752,358</u>

See notes to financial statements.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Government support and Medicaid	\$ 8,197,627	\$ -	\$ 8,197,627
Client fees and private pay	532,995	-	532,995
Contributions	28,392	-	28,392
PPP loan forgiveness	847,385	-	847,385
Interest income and other	2,848	-	2,848
Total operating revenues	<u>9,609,247</u>	<u>-</u>	<u>9,609,247</u>
Operating expenses			
Program services	6,933,778	-	6,933,778
General and administrative	1,199,599	-	1,199,599
Total operating expenses	<u>8,133,377</u>	<u>-</u>	<u>8,133,377</u>
Change in net assets from operations	1,475,870	-	1,475,870
Net assets, beginning of year	415,784	8,200	423,984
Net assets, end of year	<u>\$ 1,891,654</u>	<u>\$ 8,200</u>	<u>\$ 1,899,854</u>

See notes to financial statements.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services	General and Administrative	Total
Salaries	\$ 4,222,056	\$ -	\$ 4,222,056
Fringe benefits and taxes	927,077	-	927,077
Contracted services	59,398	170,640	230,038
Program supplies	159,997	5,921	165,918
Food	193,715	185	193,900
Transportation	68,043	1,610	69,653
Professional fees	350	39,826	40,176
Occupancy costs	278,240	31,800	310,040
Insurance	104,843	27,325	132,168
Repairs and maintenance	98,430	3,571	102,001
Telephone	39,866	28,346	68,212
Utilities	66,284	-	66,284
Office and equipment	33,516	21,143	54,659
Management support services	-	699,998	699,998
Staff development	12,457	18,932	31,389
Information technology	35,576	37,254	72,830
Depreciation	135,930	-	135,930
Interest	7,441	58,993	66,434
Miscellaneous	745	14,512	15,257
Total	<u>\$ 6,443,964</u>	<u>\$ 1,160,056</u>	<u>\$ 7,604,020</u>

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services	General and Administrative	Total
Salaries	\$ 4,606,443	\$ -	\$ 4,606,443
Fringe benefits and taxes	1,018,054	-	1,018,054
Contracted services	35,185	183,343	218,528
Program supplies	157,211	5,020	162,231
Food	198,911	-	198,911
Transportation	43,182	1,922	45,104
Professional fees	147	43,159	43,306
Occupancy costs	273,221	24,721	297,942
Insurance	99,325	39,865	139,190
Repairs and maintenance	88,992	1,552	90,544
Telephone	51,161	24,660	75,821
Utilities	73,400	-	73,400
Office and equipment	31,508	20,955	52,463
Management support services	-	700,000	700,000
Staff development	14,936	10,201	25,137
Information technology	33,336	27,874	61,210
Depreciation	144,100	-	144,100
Bad debts	55,790	-	55,790
Interest	8,640	103,111	111,751
Miscellaneous	236	13,216	13,452
Total	<u>\$ 6,933,778</u>	<u>\$ 1,199,599</u>	<u>\$ 8,133,377</u>

See notes to financial statements.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENTS OF CASH FLOWS Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 852,504	\$ 1,475,870
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	-	55,790
Depreciation	135,930	144,100
Amortization of right-of-use asset - operating leases	209,243	-
PPP loan forgiveness	-	(847,385)
Increase (decrease) in cash from		
Accounts receivable	4,939	(49,977)
Prepaid expenses and other assets	(24,810)	35,082
Security deposits	-	(2,650)
Decrease (increase) in cash from		
Accounts payable and accrued expenses	(87,056)	21,816
Advances payable and other	(151,660)	(810)
Due to YAI, Inc.	(78,670)	(607,297)
Lease liability - operating leases	(209,243)	-
Net cash from operating activities	651,177	224,539
Cash Flows from Investing Activities		
Purchase of property and equipment	(52,680)	(27,985)
Cash Flows from Financing Activities		
Repayment of mortgages payable	(24,000)	(24,000)
Net change in cash	574,497	172,554
Cash, beginning of year	1,864,097	1,691,543
Cash, end of year	\$ 2,438,594	\$ 1,864,097
Supplemental Disclosure of Cash Flow Information		
Non-cash investing and financing activities:		
PPP Loan forgiveness	\$ -	\$ 847,385
Non-cash financing activities		
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 315,727	\$ -

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

A. NATURE OF ORGANIZATION

The National Institute for People with Disabilities of New Jersey ("NIPD-NJ") was organized and incorporated in 1998 under the Not-for-Profit Corporation Law of the State of New Jersey. NIPD-NJ has been granted an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

NIPD-NJ serves people with intellectual and developmental disabilities and their families. NIPD-NJ provides supervised and supportive residential programs and in-home respite services in New Jersey. NIPD-NJ is an independent agency that is part of the Young Adult Institute, Inc. ("YAI") Network, a network of non-profit agencies, operating programs and services for adults with developmental disabilities throughout New York and New Jersey.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of NIPD-NJ have been prepared on the accrual basis of accounting. NIPD-NJ adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Basis of Presentation

NIPD-NJ maintains its net assets under the following classes:

- Net assets without donor restrictions - represents resources available for support of NIPD-NJ's operations over which the Board of Trustees has discretionary control, including investment in property, plant and equipment.
- Net assets with donor restrictions - represents assets resulting from contributions and other inflows of assets whose use by NIPD-NJ is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of NIPD-NJ pursuant to those stipulations. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash

NIPD-NJ considers highly liquid instruments with original maturities of three months or less, when acquired, to be cash. NIPD-NJ also holds escrow funds on behalf of their consumers which are reported as cash in the statements of financial position and the statements of cash flows.

Contributions and Grants

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. NIPD-NJ reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Special event revenue is recognized when the event occurs.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Uncollectible Receivables

NIPD-NJ determines whether an allowance for uncollectible accounts should be provided for accounts receivable. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, historical experience and collections subsequent to year end. As of both June 30, 2022 and 2021, an allowance of \$57,885 was recorded.

Functional Allocation of Expenses

The costs of providing program and supporting services of NIPD-NJ have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on a variety of cost allocation techniques.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Property and equipment is capitalized by NIPD-NJ provided its cost is \$5,000 or more and its useful life is greater than one year.

Revenue Sources and Recognition

NIPD-NJ collects tenant rental income. Rental income is derived from properties leased to various low to moderate income tenants. Leases are generally for one-year periods subject to annual renewal or certification; therefore, the performance obligation is met over the term of the lease and revenue is recognized on a monthly basis when earned. Government subsidies consist primarily of housing assistance payments received from Supportive Housing Connection, New Jersey Department of Community Affairs and are recognized as the performance obligation of providing housing to tenants is met on a monthly basis.

Medicaid revenue is billed and paid on a fee-for-service basis. The transaction price under these contracts is based on standard rates, or a set of rates, for a particular service usually dependent on the needs of the individual being served, established by the payers. These rates are the same for all agencies providing the service. When services are authorized, it creates a performance obligation to provide services based on the needs of the consumer. The types of service offerings vary by program, however, these offerings are not distinct within the context of the contract. The performance obligation is satisfied once the service is provided to the consumer, at which point revenue is recognized.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Sources and Recognition (Continued)

NIPD-NJ's revenue disaggregated according to the timing of when revenue is recognized is as follows:

	Years Ended	
	2022	2021
Revenue recognized at a point in time (ASC 606)		
Government support and Medicaid	\$ 7,840,391	\$ 8,197,627
Total revenue recognized at a point in time	<u>7,840,391</u>	<u>8,197,627</u>
Revenue recognized over time (ASC 606)		
Client fees and private pay	566,709	532,995
Total revenue recognized over time	<u>566,709</u>	<u>532,995</u>
Contributions and other revenue not subject to ASC 606		
Contributions	19,037	28,392
PPP loan forgiveness	-	847,385
Interest income and other	30,387	2,848
Total contributions and other revenue	<u>49,424</u>	<u>878,625</u>
Total revenue	<u>\$ 8,456,524</u>	<u>\$ 9,609,247</u>

Mortgages Payable

Capital funding under loan agreements from the State of New Jersey – Department of Human Services, Division of Developmental Disabilities (the "Department" or "DDD") and New Jersey Housing and Mortgage Finance Agency ("NJHMFA") is recorded as mortgages payable in the statement of financial position. See Note E for further details.

Leases

NIPD-NJ has entered into various noncancelable operating leases for commercial and residential space related to program and administrative facilities. NIPD-NJ determines if an arrangement is a lease at inception.

Effective with the implementation of Accounting Standards Update ("ASU") 2016-02, *Leases, (Topic 842)*, and subsequent amendments to the initial guidance (collectively, *Topic 842*) on July 1, 2021, operating leases (with the exception of leases with a term of twelve months or less) are recorded in operating lease right-of-use assets and obligations under operating leases liabilities in the statements of financial position.

Leases with a term of twelve months or less are considered short-term leases and are accounted for as an expense in the statements of activities as rental payments are incurred. Operating lease assets represent NIPD-NJ's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. NIPD-NJ uses the implicit rate when readily determinable. When the lease does not provide an implicit rate, NIPD-NJ uses a secured borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

NIPD-NJ lease terms may include options to extend if the option is considered reasonably certain to be exercised. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Prior to July 1, 2021, and the implementation of *Topic 842*, equipment operating leases were accounted for as expense in the statements of activities when the rental payment was incurred. No asset or liability was recorded for operating leases.

Operating and Non-Operating Activities

NIPD-NJ includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities, including all contributions.

Recently Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases (Topic 842)*, and subsequent amendments to the initial guidance (collectively, *Topic 842*). *Topic 842* requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. As a result of the adoption of *Topic 842*, NIPD-NJ recognized a right-of-use asset and liability of \$106,484 for operating leases in the statements of financial position. The adoption of *Topic 842* did not affect the change in net assets as previously reported.

C. AVAILABILITY AND LIQUIDITY

As of June 30, 2022 and 2021, financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, include the following:

	2022	2021
Financial assets at year end:		
Cash	\$ 2,438,594	\$ 1,864,097
Accounts receivable, net allowance of \$57,885	720,018	724,957
Less: consumer funds included in cash	(64,114)	(64,927)
Less: net assets with donor restrictions	(8,200)	(8,200)
Total financial assets available	<u>\$ 3,086,298</u>	<u>\$ 2,515,927</u>

NIPD-NJ strives to maintain liquid financial assets sufficient to cover expenditures. Financial assets are available to fund any programs or supporting services with unanticipated shortfalls.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

D. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021, consist of the following:

	2022	2021	Estimated Useful Lives
Land	\$ 1,043,491	\$ 1,043,491	
Buildings and building improvements	2,775,815	2,695,150	5-25 years
Furniture and fixtures	48,339	48,339	5 years
Vehicles, equipment and software	744,418	744,418	5 years
Work In Progress	-	27,985	
Subtotal	<u>4,612,063</u>	<u>4,559,383</u>	
Less: accumulated depreciation	<u>(2,562,300)</u>	<u>(2,426,370)</u>	
Total	<u>\$ 2,049,763</u>	<u>\$ 2,133,013</u>	

Depreciation expense for the years ended June 30, 2022 and 2021, was \$135,930 and \$144,100, respectively.

E. MORTGAGES PAYABLE

Annual debt service payments pursuant to a loan agreement that funded a portion of the capital advances for two purchase-money mortgages related to two of NIPD-NJ's properties (Lodi and Montvale) are made by NIPD-NJ to the New Jersey Economic Development Authority ("EDA"). The annual payments due under the loan agreement due to EDA of \$24,000 will continue until July 1, 2027, and the balance of the annual debt service payments due to EDA at June 30, 2022 and 2021, is \$120,000 and \$144,000, respectively.

In 2015, NIPD-NJ received funding passed through from the United States Department of Housing and Urban Development ("HUD") through the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") to construct two housing projects. The funding was structured through a loan agreement and secured by certain land and buildings included in Note D. Under the terms of the loan agreement, NIPD-NJ must maintain the projects as approved facilities for Department consumers until the loans mature. Beginning in 2023, the mortgages are repaid through an annual calculation equal to 25% of the projects' cash flow. The projects' cash flow consists of revenue less expenses, required reserves and debt service. Upon maturity, the entire balance shall become payable and due. The mortgage bears no interest and matures in 2046. As of June 30, 2022 and 2021, the amounts due to NJHMFA amounted to \$830,504. There were no payments on these mortgages required for the years ended June 30, 2022 and 2021.

F. LEASES

NIPD-NJ has entered into various noncancelable operating leases with terms expiring at various dates through 2023. There was no sublease income or short-term lease costs for the year ended June 30, 2022.

The components of lease costs were as follows for the year ended June 30, 2022:

	<u>Statement of Activities Classification</u>	
Operating lease costs	Occupancy	<u>\$ 310,040</u>

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

F. LEASES (CONTINUED)

As of June 30, 2022, all of NIPD's lease liabilities mature during the year ending June 30, 2023.

Total rent expense was \$297,942 for the year ended June 30, 2021, under Accounting Standards Codification ("ASC") Topic 840.

The weighted average remaining lease term and weighted average discount rate were as follows as of June 30, 2022:

Weighted average remaining lease term	
Operating leases	0.38 years
Weighted average discount rate	
Operating leases	0.87%

Supplemental cash flow information related to leases was as follows for the year ended June 30, 2022:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	<u>\$ 209,243</u>
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G. MANAGEMENT AGREEMENT AND OTHER

NIPD-NJ has a management agreement with YAI. YAI provides management services which include, but are not limited to, accounting and financial operations, administrative and program support, human resources, education and training, information technology and general management. For the years ended June 30, 2022 and 2021, the management fees incurred by NIPD-NJ were \$699,998 and \$700,000, respectively.

In 2017, YAI commenced an action in the New York Supreme Court, New York County, styled Young Adult Institute, Inc. v. The National Institute for People with Disabilities of New Jersey, seeking to collect \$1,183,332. In August 2020, a judgment was ordered in YAI's favor in the amount of \$1,183,000 plus accrued interest of \$332,536 to be repaid over a five-year period. The amount due to YAI under the management agreement and legal settlement as of June 30, 2022 and 2021, was \$881,045 and \$959,715, respectively.

Future amounts due under the legal settlement and management agreements with YAI, Inc. are as follows:

<u>Years Ending June 30,</u>	
2023	\$ 265,509
2024	200,000
2025	200,000
2026	200,000
2027	15,536
Total	<u>\$ 881,045</u>

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

H. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	June 30,	
	2022	2021
Maywood home support	\$ 4,200	\$ 4,200
Montvale home support	1,700	1,700
Emerson home support	100	100
New Milford home support	2,150	2,150
Westwood home support	50	50
Total	<u>\$ 8,200</u>	<u>\$ 8,200</u>

There were no net assets released from donor restrictions during the years ended June 30, 2022 and 2021.

I. CONCENTRATION OF CREDIT RISK

Cash that potentially subjects NIPD-NJ to a concentration of credit risk includes cash and short-term investment accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash and short-term investment accounts are insured up to \$250,000 per depositor. To date, NIPD-NJ has not experienced any losses.

Funding from Medicaid billings accounted for approximately 87% and 79% of total operating revenues for the years ended June 30, 2022 and 2021, respectively. Total receivables from Medicaid accounted for 91% and 94% of total accounts receivable at June 30, 2022 and 2021, respectively.

J. CONTINGENCIES

NIPD-NJ believes it has no uncertain tax positions as of June 30, 2022 and 2021, in accordance with ASC Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NIPD-NJ is subject to liens on its property and equipment financed by DDD through purchase-money mortgages as described in Notes B and E.

Financial awards from federal, state and local governmental entities in the form of grants are subject to audit. Such audits could result in claims against NIPD-NJ for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits.

K. SUBSEQUENT EVENTS

Management has evaluated subsequent events for potential recognition and disclosure through March 17, 2023, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

SUPPLEMENTARY INFORMATION

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Housing and Urban Development, Passed through the New Jersey Housing Mortgage and Finance Agency Community Development Block Grant	14.218	2953 & 2974	<u>\$ 830,504</u>
Total Expenditures of Federal Awards			<u>\$ 830,504</u>

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal awards activity of NIPD-NJ under programs of the federal government for the year ended June 30, 2022. 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* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of NIPD-NJ, it is not intended to and does not present the financial position, change in net assets or cash flows of NIPD-NJ.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Loan/Loan Guarantee Outstanding Balances

The balances outstanding as of June 30, 2022, under the Community Development Block Grant were \$830,504.

Note 4. Indirect Cost Rate

NIPD-NJ has elected not to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

Note 5. Reconciliation of Government Grants to Schedule

Government support and Medicaid revenue per audit	<u>\$ 7,840,391</u>
Less:	
Medicaid revenue	(7,372,790)
Supportive Housing Connection & COVID-19 supplemental revenue	(467,601)
Add:	
HUD loan passed through NJHMFA reported as a Federal award	830,504
Adjusted government grant revenue per audit	<u>\$ 830,504</u>
Expenses per Schedule	
Federal awards	<u>\$ 830,504</u>
Variance	<u>\$ -</u>

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: ***Unmodified***

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Type of auditors' report issued on compliance for the major federal program: ***Unmodified***

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Yes No

Identification of major program:

Federal Assistance Listing Number
14.218

Name of Federal Program
Community Development Block Grant

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

No matters were reported.

Section IV – Prior Year Audit Findings

No matters were reported.

Section IV - Federal Awards Findings and Questioned Costs

No matters were reported.

**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
National Institute for People with Disabilities of New Jersey

We have audited, 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, the financial statements of National Institute for People with Disabilities of New Jersey ("NIPD-NJ"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NIPD-NJ's internal control over financial reporting ("internal control") as a basis for designing 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 NIPD-NJ's internal control. Accordingly, we do not express an opinion on the effectiveness of NIPD-NJ'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 NIPD-NJ'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 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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 (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NIPD-NJ'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Mercadieu, P.C.

Certified Public Accountants

March 17, 2023

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

To the Board of Directors of
National Institute for People with Disabilities of New Jersey

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited National Institute for People with Disabilities of New Jersey's ("NIPD-NJ") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on NIPD-NJ's major federal program for the year ended June 30, 2022. NIPD-NJ's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, NIPD-NJ complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of NIPD-NJ and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of NIPD-NJ's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to NIPD-NJ's federal program.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on NIPD-NJ's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about NIPD-NJ's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding NIPD-NJ's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of NIPD-NJ's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 NIPD-NJ's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Mercadon, P.C.
Certified Public Accountants

March 17, 2023