

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2020

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

TABLE OF CONTENTS

June 30, 2020

	<u>Page Number</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	14
Notes to the Schedule of Expenditures of Federal Awards.....	15
Schedule of Findings and Questioned Costs.....	16
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 <i>Government Auditing Standards</i>	18
Independent Auditors' Report on Compliance for Each Major Federal and State Program and Report on Internal Control Over Compliance Required	20

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NIPD-NJ's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NIPD-NJ as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements, NIPD-NJ adopted the provisions of Accounting Standards Update ("ASU") 2018-08 during the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was 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* ("Uniform Guidance") 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 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 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 March 3, 2021, for the year ended June 30, 2020, 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 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 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.

Mercedien, P.C.

Certified Public Accountants

March 3, 2021

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

Current Assets

Cash \$ 1,691,543

Accounts receivable, net of allowance of \$57,885 730,770

Prepaid expenses and other assets 78,538

Total Current Assets 2,500,851

Property and equipment, net 2,249,128

Security deposit 22,172

Total Assets \$ 4,772,151

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses \$ 721,816

Advances payable and other 213,450

Mortgages payable 24,000

Due to YAI, Inc. (see Note G) 1,567,012

Total Current Liabilities 2,526,278

Mortgages payable, net of current portion 974,504

Paycheck Protection Program Loan 847,385

Total Liabilities 4,348,167

Net Assets

Without donor restrictions 415,784

With donor restrictions 8,200

Total Net Assets 423,984

Total Liabilities and Net Assets \$ 4,772,151

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Operating revenues			
Government support and Medicaid	\$ 7,147,849	\$ -	\$ 7,147,849
Client fees and Private pay	535,533	-	535,533
Contributions and special events, net of expenses of \$658 for 2020	29,585	-	29,585
Interest income	<u>108</u>	<u>-</u>	<u>108</u>
Total operating revenues	<u>7,713,075</u>	<u>-</u>	<u>7,713,075</u>
Operating expenses			
Program services	6,275,685	-	6,275,685
General and administrative	<u>1,323,079</u>	<u>-</u>	<u>1,323,079</u>
Total operating expenses	<u>7,598,764</u>	<u>-</u>	<u>7,598,764</u>
Change in net assets from operations	114,311	-	114,311
Net assets (deficit), beginning of year, as previously stated	(679,111)	8,200	(670,911)
Prior period restatement (Note B)	<u>980,584</u>	<u>-</u>	<u>980,584</u>
Net assets, beginning of year, restated	<u>301,473</u>	<u>8,200</u>	<u>309,673</u>
Net assets, end of year	<u>\$ 415,784</u>	<u>\$ 8,200</u>	<u>\$ 423,984</u>

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 4,022,760	\$ -	\$ 4,022,760
Fringe benefits and taxes	750,614	-	750,614
Contracted services	170,722	177,031	347,753
Program supplies	159,586	6,948	166,534
Food	214,322	2,288	216,610
Transportation	95,577	2,283	97,860
Professional fees	976	43,437	44,413
Occupancy	269,835	6,743	276,578
Insurance	98,257	6,225	104,482
Repairs and maintenance	46,224	1,790	48,014
Telephone	55,208	5,281	60,489
Utilities	69,563	-	69,563
Office and equipment	37,949	15,940	53,889
Management support services	-	714,881	714,881
Staff development	8,645	7,128	15,773
Information technology	24,015	2,249	26,264
Depreciation	170,116	-	170,116
Bad debts	71,186	-	71,186
Interest	9,840	319,713	329,553
Miscellaneous	290	11,142	11,432
Total	<u>\$ 6,275,685</u>	<u>\$ 1,323,079</u>	<u>\$ 7,598,764</u>

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ 114,311
Adjustments to reconcile change in net assets (deficit) to net cash from operating activities:	
Bad debt expense	71,186
Depreciation	170,116
(Decrease) in cash from	
Accounts receivable	(359,137)
Prepaid expenses and other assets	(2,950)
Decrease (increase) in cash from	
Accounts payable and accrued expenses	(7,309)
Advances payable and other	(58,109)
Due to YAI, Inc.	<u>311,775</u>
Net cash from operating activities	<u>239,883</u>
Cash Flows from Financing Activities	
Repayment of mortgages payable	(24,000)
Proceeds from PPP Loan	<u>847,385</u>
Net cash from financing activities	<u>823,385</u>
Net change in cash	1,063,268
Cash, beginning of year	<u>628,275</u>
Cash, end of year	<u>\$ 1,691,543</u>

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 statement 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 statement of financial position and the statement 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.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

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 June 30, 2020, 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 statement 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 records fee for service revenue at the time services are provided based on established rates multiplied by the number of units of service provided. Government grants under cost reimbursement contracts are considered conditional contributions until the conditions are met, at which time they are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, NIPD-NJ records a liability for advances payable.

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.

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

NIPD-NJ has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, issued in June 2018, *Not-for-Profit Entities (Topic 958): Clarifying Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. NIPD-NJ has elected to adopt the provisions of ASU 2018-08 for the year ended June 30, 2020 using the retrospective application method, where NIPD-NJ applied the amendments of the new ASU retrospectively with the cumulative effect of initially applying the amendments to the opening net assets of the first year presented. The new ASU was applied only to contracts that were not completed at the date of initial application.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncement (Continued)

These adjustments were for amounts previously recorded as deferred revenue under mortgages payable pursuant to purchase-money mortgages with the State of New Jersey to provide capital advances for group homes that were previously assessed as exchange transactions under prior GAAP and subsequent to the adoption of ASU 2018-08 are classified as contribution transactions. These amounts totaling \$980,584 were recorded as restatements to the net assets as of July 1, 2019.

Recent Accounting Pronouncements

The FASB has issued accounting pronouncements which may be applicable to NIPD-NJ, through the date the financial statements were available to be issued and for which NIPD-NJ is currently evaluating the effect that each will have on the financial statements and related disclosures.

ASU 2016-02, *Leases (Topic 842)* issued in February 2016 (subsequently amended by ASU 2019-10 and ASU 2020-05, deferring the effective date) requires an entity ("lessee") that leases assets for a term exceeding a one-year period to recognize a right-of-use asset and corresponding lease liability on the statement of financial position. ASU 2016-02 will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under the legacy lease accounting guidance. ASU 2016-02 also requires entities to disclose in the footnotes to their financial statements information about the amount, timing and uncertainty for the payments they make for lease agreements. In November 2019, the FASB issued ASU 2019-10, and in June 2020, the FASB issued ASU 2020-05, both of which deferred the effective date of ASU 2016-02 by an additional year. The updated standard will be effective for the NIPD-NJ for the year ending June 30, 2023.

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* issued in May 2014 (subsequently amended by ASU 2015-14 and ASU 2020-05, deferring the effective date), requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020 the FASB issued ASU 2020-05, which deferred the effective date of ASU 2015-14 by an additional year. The updated standard will be effective for the NIPD-NJ for the year ending June 30, 2021.

C. AVAILABILITY AND LIQUIDITY

As of June 30, 2020, 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:

Financial assets at year end:	
Cash	\$ 1,691,543
Accounts receivable, net of allowance of \$57,885	730,770
Less: consumer funds included in Cash	(85,130)
Less: net assets with donor restrictions	<u>(8,200)</u>
Total financial assets available	<u>\$ 2,328,983</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, 2020 consist of the following:

	<u>2020</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,043,491	
Buildings and building improvements	2,695,150	5-25 Years
Furniture and fixtures	48,339	5 Years
Vehicles, equipment and software	<u>744,418</u>	5 Years
Subtotal	4,531,398	
Less: accumulated depreciation	<u>(2,282,270)</u>	
Total	<u>\$ 2,249,128</u>	

Depreciation expense was \$170,116 for the year ended June 30, 2020.

E. MORTGAGES PAYABLE

In previous years, NIPD-NJ received capital advances under eight purchase-money mortgages from the Department for the purchase and renovation of eight buildings. NIPD-NJ must maintain the buildings as approved facilities for Department consumers until the mortgages mature. There are no scheduled repayments or interest due under these mortgages as long as the properties are operated as intended by the Department. These mortgages are secured by certain land and buildings included in Note D. Prior to the adoption of ASU 2018-08, NIPD-NJ recorded these capital advances as deferred revenue and would reduce the liability and recognize income over the life of the agreements, which mature between 2024 and 2027. With the adoption of ASU 2018-08 management believes the conditions in the purchase-money mortgage agreements are deemed to be protective clauses rather than conditions giving rise to a barrier. Accordingly, the liabilities related to the capital advances with no other loan agreements tied to the eight purchase-money mortgages were removed from the mortgages payable balance in the statement of financial position.

Prior to July 2019, 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) were made by the DDD to the New Jersey Economic Development Authority ("EDA") on behalf of NIPD-NJ as part the grant agreement between DDD and NIPD-NJ. Beginning with the year ended June 30, 2019, all of the consumers covered under NIPD-NJ's grant agreement with DDD were removed from the grant agreement and NIPD-NJ now provides service to these Medicaid eligible consumers on a fee-for-service basis. As a result, NIPD-NJ is now responsible for making the annual debt service payments due under the loan agreements directly to EDA. The payments under the loan agreement due to EDA will continue until July 1, 2027 and the balance of the annual debt service payments due to EDA at June 30, 2020 is \$168,000.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

E. MORTGAGES PAYABLE (CONTINUED)

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. 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, 2020, the amounts due to NJHMFA amounted to \$830,504. There were no payments on these mortgages required for the year ended June 30, 2020.

F. LEASES

NIPD-NJ leases office space and equipment for use in its programs and activities. NIPD-NJ also leases apartments in Bergen and Passaic counties as part of its residential program. These leases expire at various times through October 2022, and are accounted for as operating leases. Rent expense under all leases for the year ended June 30, 2020 was \$276,578.

Future minimum lease payments under operating leases as of June 30, 2020 are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 282,118
2022	78,206
2023	<u>9,275</u>
Total	<u>\$ 369,599</u>

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 year ended June 30, 2020, the management fees incurred by NIPD-NJ were \$714,881, and the amount due to YAI under this agreement as of June 30, 2020 was \$1,567,012. NIPD-NJ is currently working with YAI to establish a repayment plan and expects the balance to be paid in full over the next several years.

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. Of the total accrued interest, a total of \$319,713 was recorded as of June 30, 2020. The total amount due to YAI at June 30, 2020 from the settlement of this case is \$1,502,713, which is included in the full balance due to YAI noted above.

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:

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

There were no net assets released from donor restrictions during the year ended June 30, 2020.

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. As of June 30, 2020, there was approximately \$1,191,000 of cash that exceeded FDIC limits. To date, NIPD-NJ has not experienced any losses.

Funding from Medicaid billings accounted for approximately 82% of total support and revenues for the year ended June 30, 2020. Total receivables from Medicaid accounted for 98% of total accounts receivable at June 30, 2020.

J. CONTINGENCIES

NIPD-NJ believes it has no uncertain tax positions as of June 30, 2020 in accordance with Accounting Standard Codification ("ASC") Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NIPD-NJ is also party to a contingent liability with the EDA and subject to liens on its property and equipment financed by DDD through purchase-money mortgages as described in Note 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 3, 2021, the date the financial statements were available to be issued. Except for the item described in Note G, no items were determined by management to require disclosure.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

L. CORONAVIRUS OUTBREAK IMPACT

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the NIPD-NJ operates. At this time, the impact on NIPD-NJ's operations have been minimal, however the long-term impact this outbreak will have on NIPD-NJ's operations are currently unknown.

In May 2020, NIPD-NJ entered into a term note agreement as part of the United States Small Business Administration's (the "SBA") Paycheck Protection Program (PPP). The funds have been and will continue to be used to retain employees, as well as for rent and utilities. The loan is for a principal sum of \$847,385, and bears interest at a rate of 1% per annum payable over a two-year period after a six-month interest and principal deferred period. The SBA loan may be forgiven if certain criteria are met. NIPD-NJ expects to meet the forgiveness criteria and receive formal notification that the principal amount of the loan will be forgiven in the year ending June 30, 2021.

SUPPLEMENTARY INFORMATION

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
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><u>830,504</u></u>

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2020

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") include the federal awards activity of NIPD-NJ under programs of the federal government for the year ended June 30, 2020. 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. Indirect Cost Rate

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

Note 4. Reconciliation of Government Grants to Schedule

Government support and Medicaid revenue per audit	<u>\$ 7,147,849</u>
Less:	
Medicaid revenue	(6,414,625)
Supportive Housing Connection & COVID-19 supplemental revenue	(728,333)
Other grant revenue	(4,891)
Add:	
HUD loan passed through NJHMFA reported as a Federal award	<u>830,504</u>
Adjusted government grant revenue per audit	<u>\$ 830,504</u>
Expenses per Schedules	
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, 2020

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:

CFDA 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 III - Federal Awards Findings and Questioned Costs

No matters were reported.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2020

Section IV - Prior Year Audit Findings

Identifying Number: 2019-001

Finding: NIPD-NJ did not maintain proper documentation in employee personnel files pursuant to regulations included in New Jersey Administrative Code ("N.J.A.C.") 10:44A: *Standards for Community Residences for Individuals with Developmental Disabilities*.

Corrective Action Taken: NIPD-NJ has implemented a new centralized Human Capital Management system where required documents are requested and maintained at the time of hiring personnel. The program offers an internal checklist to ensure all documents are collected. Copies of documents are maintained electronically and can be easily accessible and reviewed by human resources and management. This matter has been resolved.

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, 2020, 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 3, 2021.

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 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 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 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 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 may exist that have not been 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.

Merodien, P.C.

Certified Public Accountants

March 3, 2021

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

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, 2020. NIPD-NJ's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal award applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for NIPD-NJ's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NIPD-NJ'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 the major federal program. However, our audit does not provide a legal determination of the NIPD-NJ's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization 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, 2020.

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

Management of NIPD-NJ 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 NIPD-NJ's internal control over compliance with requirements that could have a direct and material effect on the major federal program to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 NIPD-NJ'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.

Purpose of this Report

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.

Mercedien, P.C.
Certified Public Accountants

March 3, 2021