

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

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2021 and 2020

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

TABLE OF CONTENTS

June 30, 2021

	<u>Page Number</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information	
Schedule of Expenditures of Federal Awards	16
Notes to the Schedule of Expenditures of Federal Awards	17
Schedule of Findings and Questioned Costs	18
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>	19
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	21

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 statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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, 2021 and 2020, 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.

Other Matters

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* ("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 31, 2022, 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 31, 2022

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash	\$ 1,864,097	\$ 1,691,543
Accounts receivable, net of allowance of \$57,885 in 2021 and 2020	724,957	730,770
Prepaid expenses and other assets	43,456	78,538
Total current assets	2,632,510	2,500,851
Property and equipment, net	2,133,013	2,249,128
Security deposits	24,822	22,172
Total Assets	\$ 4,790,345	\$ 4,772,151
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 743,631	\$ 721,815
Advances payable and other	212,641	213,451
Mortgages payable	24,000	24,000
Due to YAI, Inc. (see Note G)	144,179	1,567,012
Total Current Liabilities	1,124,451	2,526,278
Due to YAI, Inc., net of current portion (see Note G)	815,536	-
Mortgages payable, net of current portion	950,504	974,504
Paycheck Protection Program ("PPP") Loan	-	847,385
Total Liabilities	2,890,491	4,348,167
Net Assets		
Without donor restrictions	1,891,654	415,784
With donor restrictions	8,200	8,200
Total Net Assets	1,899,854	423,984
Total Liabilities and Net Assets	\$ 4,790,345	\$ 4,772,151

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>

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
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	29,585	-	29,585
Interest income	108	-	108
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	1,323,079	-	1,323,079
Total operating expenses	<u>7,598,764</u>	<u>-</u>	<u>7,598,764</u>
Change in net assets from operations	<u>114,311</u>	<u>-</u>	<u>114,311</u>
Net assets (deficit), beginning of year, as previously stated	(679,111)	8,200	(670,911)
Prior period restatement (see Note B)	980,584	-	980,584
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, 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>

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services	General and Administrative	Total
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 costs	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

STATEMENTS OF CASH FLOWS Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 1,475,870	\$ 114,311
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	55,790	71,186
Depreciation	144,100	170,116
PPP loan forgiveness	(847,385)	-
Increase (decrease) in cash from		
Accounts receivable	(49,977)	(359,138)
Prepaid expenses and other assets	35,082	(2,950)
Security deposits	(2,650)	-
Decrease (increase) in cash from		
Accounts payable and accrued expenses	21,816	(7,309)
Advances payable and other	(810)	(58,108)
Due to YAI, Inc.	(607,297)	311,775
Net cash from operating activities	224,539	239,883
Cash Flows from Investing Activities		
Purchase of property and equipment	(27,985)	-
Net cash from investing activities	(27,985)	-
Cash Flows from Financing Activities		
Repayment of mortgages payable	(24,000)	(24,000)
Proceeds from PPP Loan	-	847,385
Net cash from financing activities	(24,000)	823,385
Net change in cash	172,554	1,063,268
Cash and cash equivalents, beginning of year	1,691,543	628,275
Cash and cash equivalents, end of year	\$ 1,864,097	\$ 1,691,543
Supplemental Disclosure of Cash Flow Information		
Non-cash investing and financing activities:		
PPP Loan forgiveness	\$ 847,385	\$ -

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.

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 both June 30, 2021 and 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 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.

During the year ended June 30, 2020, NIPD-NJ adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08 resulting in a restatement of its net assets as of July 1, 2019, for certain purchase-money mortgages with the State of New Jersey to provide capital advances for group homes that were previously assessed as exchange transactions and recorded as deferred revenue. As a result of the ASU adoption, these purchase-money mortgages totaling \$980,584 were determined to be contribution transactions and the net assets as of July 1, 2019, were restated accordingly.

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:

	For the Years Ended	
	2021	2020
Revenue recognized at a point in time (ASC 606)		
Government support and Medicaid	\$ 8,197,627	\$ 7,147,849
Total revenue recognized at a point in time	<u>8,197,627</u>	<u>7,147,849</u>
Revenue recognized over time (ASC 606)		
Client fees and private pay	532,995	535,533
Total revenue recognized over time	<u>532,995</u>	<u>535,533</u>
Contributions and other revenue not subject to ASC 606		
Contributions and special events, net of expenses	28,392	29,585
PPP loan forgiveness	847,385	-
Interest income	2,848	108
Total contributions and other revenue	<u>878,625</u>	<u>29,693</u>
Total revenue	<u>\$ 9,609,247</u>	<u>\$ 7,713,075</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.

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 adopted FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), also referred to as Accounting Standards Codification 606 ("ASC 606") during the year ended June 30, 2021. NIPD-NJ did not record a cumulative effect adjustment to net assets as a result of the adoption of ASC 606 because the timing and measurement of revenue for NIPD-NJ's contracts with its members and customers is the same under both ASC 606 and legacy guidance.

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.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

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.

C. AVAILABILITY AND LIQUIDITY

As of June 30, 2021 and 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:

	2021	2020
Financial assets at year end:		
Cash	\$ 1,864,097	\$ 1,691,543
Accounts receivable, net allowance of \$57,885	724,957	730,770
Less: consumer funds included in cash	(64,927)	(85,130)
Less: net assets with donor restrictions	(8,200)	(8,200)
Total financial assets available	<u>\$ 2,515,927</u>	<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.

D. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 consist of the following:

	2021	2020	Estimated Useful Lives
Land	\$ 1,043,491	\$ 1,043,491	
Buildings and building improvements	2,695,150	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>4,559,383</u>	<u>4,531,398</u>	
Less: accumulated depreciation	<u>(2,426,370)</u>	<u>(2,282,270)</u>	
Total	<u>\$ 2,133,013</u>	<u>\$ 2,249,128</u>	

Depreciation expense for the years ended June 30, 2021 and 2020, was \$144,100 and \$170,116, respectively.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

E. MORTGAGES PAYABLE

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 remaining 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, 2021 and 2020 is \$144,000 and \$168,000, 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, 2021 and 2020, the amounts due to NJHMFA amounted to \$830,504. There were no payments on these mortgages required for the years ended June 30, 2021 and 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, 2021 and 2020 was \$297,942 and \$276,578, respectively.

Future minimum lease payments under operating leases are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 213,538
2023	36,996
Total	<u>\$ 250,534</u>

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

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, 2021 and 2020, the management fees incurred by NIPD-NJ were \$700,000 and \$714,881, 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, 2021, and 2020 was \$959,715 and \$1,567,012, respectively.

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

<u>Years Ending June 30,</u>	
2022	\$ 144,179
2023	200,000
2024	200,000
2025	200,000
2026	200,000
Thereafter	15,536
Total	<u>\$ 959,715</u>

H. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
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, 2021 and 2020.

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

NOTES TO FINANCIAL STATEMENTS

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 79% and 82% of total operating revenues for the years ended June 30, 2021 and 2020, respectively. Total receivables from Medicaid accounted for 94% and 98% of total accounts receivable at June 30, 2021 and 2020, respectively.

J. CONTINGENCIES

NIPD-NJ believes it has no uncertain tax positions as of June 30, 2021 and 2020 in accordance with Accounting Standards Codification 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 Note B.

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 31, 2022, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

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") PPP. The funds were used to retain employees, as well as for rent and utilities. The loan was for a principal sum of \$847,385, and bore 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 was eligible for forgiveness if certain criteria were met. NIPD-NJ met the forgiveness criteria and has received formal notification that the principal amount of the loan was forgiven in June 2021.

SUPPLEMENTARY INFORMATION

NATIONAL INSTITUTE FOR PEOPLE WITH DISABILITIES OF NEW JERSEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2021

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, 2021

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, 2021. 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, 2021 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>\$ 8,197,627</u>
Less:	
Medicaid revenue	(7,621,594)
Supportive Housing Connection & COVID-19 supplemental revenue	(576,033)
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 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, 2021

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 X No
- Significant deficiencies identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? _____ Yes X 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 X 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? X Yes _____ No

Section II - Financial Statement Findings

No matters were reported

Section III - 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, 2021, 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 31, 2022.

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 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*.

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.

Mercedien, P.C.
Certified Public Accountants

March 31, 2022

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, 2021. 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, NIPD-NJ 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, 2021.

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 NIPD-NJ's 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.

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.

Mercadieu, P.C.
Certified Public Accountants

March 31, 2022