

CHILDREN'S AID AND FAMILY SERVICES, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2019 AND 2018

CHILDREN’S AID AND FAMILY SERVICES, INC.

DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Children's Aid and Family Services, Inc.
Paramus, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Aid and Family Services, Inc. ("Organization"), a New Jersey nonprofit organization, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses, 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 the 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 auditors consider internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Aid and Family Services, Inc. as of December 31, 2019, 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

The Organization adopted Financial Accounting Standards Board, *Not-For-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as described in Note 2 during the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal and state awards on pages 35 through 37, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08, are presented for purposes of additional analysis and are 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 December xx, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized, Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report, dated September 24, 2019. In our opinion, the summarized, comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Certified Public Accountants

Livingston, New Jersey
December xx, 2020

CHILDREN'S AID AND FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 1,506,439	\$ 668,609
Grants and contracts receivable	1,871,120	491,474
Contributions receivable	191,540	153,803
Fees receivable, net	9,789	16,999
Investments	3,846,795	4,331,289
Prepaid expenses and other assets	386,318	185,854
Fixed assets, net	8,237,177	8,505,614
	<u>\$ 16,049,178</u>	<u>\$ 14,353,642</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 407,548	\$ 192,583
Accrued expenses	649,482	288,334
Due to Zoe's Place	3,460	1,400
Due to government agencies	219,527	100,030
Deferred income	-	34,930
Deferred rent	91,083	91,083
Lease obligation	5,064	24,098
Mortgage payable, net	3,780,925	3,554,755
Notes payable, Ways to Work Family Loan Program	35,154	35,154
Notes payable, Zoe's Place	62,500	62,500
Line of credit	2,311,969	3,284,033
Total Liabilities	<u>7,566,712</u>	<u>7,668,900</u>
OBLIGATIONS UNDER INTEREST-RATE SWAP	<u>32,254</u>	<u>19,653</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	5,846,846	3,708,755
With donor restrictions	2,603,366	2,956,334
Total Net Assets	<u>8,450,212</u>	<u>6,665,089</u>
	<u>\$ 16,049,178</u>	<u>\$ 14,353,642</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019
(With Summarized, Comparative Totals for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Support:				
Private Support:				
Contributions	\$ 1,817,344	\$ 80,822	\$ 1,898,166	\$ 1,773,060
Fundraising, net	91,610	315,367	406,977	425,451
Total Private Support	1,908,954	396,189	2,305,143	2,198,511
Government Support:				
Federal and state	15,080,873	-	15,080,873	9,619,656
Revenue and Gains:				
Program fees and dues	552,218	-	552,218	318,865
Counseling fees	5,270	-	5,270	6,595
Interest and dividend income	53,053	69,686	122,739	153,825
Net unrealized gain (loss) on investments	287,580	405,092	692,672	(459,012)
Net realized gain on investments	22,427	29,166	51,593	57,286
Gain on disposal of assets	2,954	-	2,954	5,582
Miscellaneous revenue	24,034	-	24,034	29,222
Total Revenue and Gains	947,536	503,944	1,451,480	112,363
Net assets released from restriction	1,253,101	(1,253,101)	-	-
Total Support, Revenue and Gains	19,190,464	(352,968)	18,837,496	11,930,530
Expenses:				
Program Services:				
Adoption services	369,165	-	369,165	391,913
Counseling services	1,512,177	-	1,512,177	1,691,113
Residential treatment	1,435,628	-	1,435,628	1,956,812
Services for developmentally disabled	8,292,882	-	8,292,882	4,680,811
Community services	223,898	-	223,898	139,720
Addiction prevention	2,178,541	-	2,178,541	2,138,443
Total Program Services	14,012,291	-	14,012,291	10,998,812
Supporting Services:				
Management and general	2,474,019	-	2,474,019	2,521,501
Fundraising	553,462	-	553,462	574,428
Total Supporting Services	3,027,481	-	3,027,481	3,095,929
Total Expenses	17,039,772	-	17,039,772	14,094,741
Changes in Net Assets	2,150,692	(352,968)	1,797,724	(2,164,211)
Unrealized (loss) gain on interest-rate swap	(12,601)	-	(12,601)	34,190
Total Changes in Net Assets	2,138,091	(352,968)	1,785,123	(2,130,021)
Net Assets, Beginning of year	3,708,755	2,956,334	6,665,089	8,795,110
Net Assets, End of year	\$ 5,846,846	\$ 2,603,366	\$ 8,450,212	\$ 6,665,089

The accompanying notes are an integral part of these financial statements.

CHILDREN'S AID AND FAMILY SERVICES, INC.
STATEMENTS OF CASH FLOWS

CASH FLOWS PROVIDED BY (USED FOR):	Year Ended December 31,	
	2019	2018
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 1,785,123	\$ (2,130,021)
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	542,035	614,399
Bad debt	6,842	-
Net unrealized (gain) loss on investments	(692,672)	459,012
Net realized gain on investments	(51,593)	(57,286)
Net unrealized (loss) gain on interest-rate swap	12,601	(34,190)
Net realized gain on sale of fixed assets	(2,954)	(5,582)
Noncash securities donation	(23,998)	(2,232,686)
Noncash interest expense (amortization)	12,899	12,899
Forgiveness of debt	(23,947)	(23,947)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(1,379,646)	75,358
Contributions receivable	(37,737)	1,990,719
Fees receivable	368	52,435
Prepaid expenses and other assets	(200,464)	4,191
Accounts payable	214,965	(100,563)
Accrued expenses	361,148	(735,907)
Due to government agencies	119,497	(51,247)
Due to Zoe's Place	2,060	1,400
Deferred rent	-	493
Deferred income	(34,930)	(19,823)
Net Cash Provided By (Used for) Operating Activities	609,597	(2,180,346)
<u>INVESTING ACTIVITIES:</u>		
Purchases of fixed assets	(709,612)	(102,299)
Proceeds from sale of fixed assets	438,968	5,582
Proceeds from sale of investments	1,776,021	1,153,511
Purchases of investments	(523,264)	(314,785)
Net Cash Provided by Investing Activities	982,113	742,009
<u>FINANCING ACTIVITIES:</u>		
Repayment of mortgages payable	(345,444)	(216,354)
Proceeds from mortgages	582,662	37,806
Repayment of lease obligation	(19,034)	(16,527)
Borrowings from line of credit	327,936	3,985,000
Repayment of line of credit	(1,300,000)	(2,374,856)
Net Cash (Used for) Provided by Financing Activities	(753,880)	1,415,069
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	837,830	(23,268)
CASH AND CASH EQUIVALENTS:		
Beginning of year	668,609	691,877
End of year	\$ 1,506,439	\$ 668,609

The accompanying notes are an integral part of these financial statements.

CHILDREN'S AID AND FAMILY SERVICES, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	2018
SUPPLEMENTAL DATA:		
Interest paid	\$ 251,093	\$ 253,870
NONCASH INVESTING ACTIVITIES:		
Securities donation	\$ 23,998	\$ 2,232,686

CHILDREN'S AID AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services						Supporting Services			Total Program and Supporting Services	
	Adoption Services	Counseling Services	Residential Treatment	Developmentally Disabled	Community Services	Addiction Prevention	Total	Management and General	Fundraising		Total
Salaries	\$ 220,909	\$ 979,258	\$ 659,270	\$ 5,082,698	\$ 42,463	\$ 1,166,672	\$ 8,151,270	\$ 1,310,124	\$ 304,330	\$ 1,614,454	\$ 9,765,724
Payroll taxes and employee benefits	43,379	191,167	129,350	993,967	8,283	227,763	1,593,909	252,840	59,400	312,240	1,906,149
Total Salaries and Related Expenses	264,288	1,170,425	788,620	6,076,665	50,746	1,394,435	9,745,179	1,562,964	363,730	1,926,694	11,671,873
Professional fees	1,554	29,946	19,204	265,795	65,935	145,785	528,219	117,136	2,107	119,243	647,462
Supplies	1,004	7,917	4,670	66,275	520	13,778	94,164	20,575	11,824	32,399	126,563
Telephone	6,799	25,807	27,745	99,328	1,262	25,998	186,939	33,568	12,541	46,109	233,048
Postage and shipping	635	3,885	469	1,697	145	1,203	8,034	4,259	4,399	8,658	16,692
Occupancy	47,853	175,511	115,591	394,846	3,659	141,642	879,102	160,130	35,635	195,765	1,074,867
Outside printing and promotion	7,523	7,128	2,211	12,150	525	3,777	33,314	26,558	12,403	38,961	72,275
Local travel and related expenses	21,721	16,744	27,572	187,337	1,173	20,789	275,336	13,127	398	13,525	288,861
Conferences, conventions and major trips	1,480	2,002	2,266	8,422	-	39,535	53,705	949	259	1,208	54,913
Specific assistance to/for individuals	3,605	25,125	297,132	148,293	28,276	342,791	845,222	39,973	19,964	59,937	905,159
Repairs	1,611	1,768	36,279	259,202	2,121	2,659	303,640	44,987	32,827	77,814	381,454
Insurance	5,922	31,547	33,062	165,576	3,468	33,051	272,626	14,493	25,385	39,878	312,504
Membership dues	3,933	3,911	4,975	490	250	445	14,004	7,850	13,092	20,942	34,946
Food	696	6,439	44,052	272,240	63,188	9,304	395,919	6,059	2,048	8,107	404,026
Depreciation and Amortization	541	4,022	31,780	310,957	2,630	3,349	353,279	188,275	481	188,756	542,035
Interest, credit card fees and other	-	-	-	23,609	-	-	23,609	233,116	16,369	249,485	273,094
	\$ 369,165	\$ 1,512,177	\$ 1,435,628	\$ 8,292,882	\$ 223,898	\$ 2,178,541	\$ 14,012,291	\$ 2,474,019	\$ 553,462	\$ 3,027,481	\$ 17,039,772

The accompanying notes are an integral part of these financial statements.

CHILDREN'S AID AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services						Supporting Services		Total Program and Supporting Services		
	Adoption Services			Services for			Management and General Fundraising	Total			
	Adoption Services	Counseling Services	Residential Treatment	Developmentally Disabled	Community Services	Addiction Prevention				Total	
Salaries	\$ 217,753	\$ 1,084,978	\$ 867,995	\$ 2,838,942	\$ 55,385	\$ 1,127,880	\$ 6,192,933	\$ 291,561	\$ 1,575,436	\$ 7,768,369	
Payroll taxes and employee benefits	54,270	267,401	218,290	696,577	14,350	275,746	1,526,634	70,629	393,917	1,920,551	
Total Salaries and Related Expenses	272,023	1,352,379	1,086,285	3,535,519	69,735	1,403,626	7,719,567	362,190	1,969,353	9,688,920	
Professional fees	9,200	46,838	27,358	176,703	2,325	156,919	419,343	82,012	-	501,355	
Supplies	716	6,328	9,772	4,578	66	5,103	26,563	13,557	21,441	61,561	
Telephone	8,627	35,747	47,409	78,916	1,490	29,443	201,632	39,922	12,891	254,445	
Postage and shipping	982	4,128	1,740	1,023	107	1,405	9,385	7,248	2,489	19,122	
Occupancy	25,945	138,091	153,146	141,970	2,621	178,879	640,652	75,657	28,499	744,808	
Outside printing and promotion	15,472	3,335	842	16,686	-	2,125	38,460	39,152	8,404	86,016	
Local travel and related expense:	18,639	18,691	41,903	122,539	1,730	13,740	217,242	16,145	403	233,790	
Conferences, conventions and major trips	1,850	135	5,625	3,131	-	55,625	66,366	4,204	214	70,784	
Specific assistance to/for individuals	28,771	34,207	290,776	84,988	3,505	250,517	692,764	29,408	24,709	746,881	
Repairs	1,323	1,950	61,123	98,545	1,955	1,838	166,734	50,965	33,836	251,535	
Insurance	5,841	31,212	38,985	122,397	3,686	32,911	235,032	19,151	24,490	278,673	
Membership dues	28	162	1,000	300	500	100	2,090	13,108	14,159	29,357	
Food	366	4,761	24,942	106,855	50,862	1,807	189,593	3,737	1,064	194,394	
Depreciation and Amortization	519	3,754	164,774	144,449	-	3,083	316,579	282,258	15,562	614,399	
Interest, credit card fees and other	-	144	-	21,939	1,138	-	23,221	237,743	17,231	278,195	
Miscellaneous	1,611	9,251	1,132	20,273	-	1,322	33,589	71	6,846	40,506	
	\$ 391,913	\$ 1,691,113	\$ 1,956,812	\$ 4,680,811	\$ 139,720	\$ 2,138,443	\$ 10,998,812	\$ 2,521,501	\$ 574,428	\$ 3,095,929	\$ 14,094,741

The accompanying notes are an integral part of these financial statements.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 - NATURE OF ORGANIZATION:

Children's Aid and Family Services, Inc. ("Organization"), a New Jersey nonprofit corporation, was founded in 1899 as a child protection and adoption agency. The Organization is one of northern New Jersey's leading nonprofit providers of human and child service programs.

The Organization's mission is to preserve, protect, and, when needed, provide families. Motivated by compassion for vulnerable children, young adults, frail elderly and their families, the Organization provides high-quality and innovative services that meet their social, educational and emotional needs. It provides a continuum of services to more than three million people living in northern New Jersey, working towards establishing permanent stable relationships for children and assisting individuals of all ages and their families with preventive, therapeutic and counseling programs.

The Organization provides:

Community services - helping children, families and senior citizens develop stronger ties to one another, thereby promoting the well-being of the community;

Early intervention services - providing professional services for children, families and individuals of all ages with assistance, with respect to emotional and/or social adjustment problems;

Permanency services for children - providing care for at-risk children until they are permanently placed with their forever families;

Addiction prevention services - promoting the awareness of alcoholism, drug abuse and other addictive behavior; and

Developmental disabilities services - providing in-home support services and community residences for children and young adults with intellectual and developmental disabilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:

Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial Statement Presentation: (Continued)

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents:

Cash consists of funds maintained in bank accounts. Cash equivalents consist of highly liquid money market investments with an original maturity of three months or less.

Grants and Contracts Receivable:

Receivables related to government grants and contracts are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible grants and contracts receivable to operations when determined to be uncollectible based on historical trends. At December 31, 2019 and 2018, an allowance was not deemed necessary.

Fees Receivable:

Fees receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible fees receivable to operations when determined to be uncollectible based on historical trends. Management deemed an allowance was not necessary at December 31, 2019 and 2018.

Fair Value:

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fair Value: (Continued)

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Valuations based on unobservable inputs when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

The fair values of investments are as follows:

Certificates of deposit - Fair value of fixed-maturity certificates of deposit are estimated using rates currently offered for deposits of similar remaining maturities.

Mutual funds - Valued at the net asset value of shares held by the Organization at year-end.

Equity securities - Shares in companies traded on national securities exchanges are valued at the closing price reported in the active market in which the individual securities are traded.

Fixed income - Valued at quoted market prices of valuations provided by commercial pricing services or the mean of bid and ask prices provided by investment brokers.

Fixed Assets:

Fixed assets are recorded at cost on the date of acquisition, or at the fair market value of the asset, at the date of the gift, for donated assets. Depreciation of buildings, equipment and leasehold improvements is recorded using the straight-line method based on the estimated useful lives of the assets which range from 5 to 25 years.

When assets are retired, or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Significant additions, renewals, and betterments greater than \$1,000 that extend the useful lives of the assets are capitalized while replacements, maintenance, and repairs which do not improve or extend the life of an asset, are expensed.

Valuation of Long-lived Assets:

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the asset may not be fully recoverable. Management has determined that no impairment change was required for the periods presented in these financial statements.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Goods and Services:

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which, typically, would be purchased if not provided by donation. Donated goods and services are recorded as contributions at their estimated fair value at the date of donation.

The amount of donated goods and services for the years ended December 31, 2019 and 2018, was \$520,171 and \$392,264, respectively, and is included in contributions on the statement of activities and changes in net assets.

The Organization also regularly receives services from volunteers who are not acting in a professional capacity; such volunteer services do not meet the criteria for financial statement recognition and are not included in the financial statements.

Deferred Income:

The Organization records amounts received from funding sources in advance of performing the required services as deferred income.

Derivative Financial Instruments:

The Organization makes limited use of derivative instruments for the purpose of managing interest-rate risks. An interest-rate swap agreement was used to convert the Organization's floating-rate, long-term debt to a fixed rate. Gains and losses realized upon settlement of the agreement are deferred until the underlying hedged instrument is settled and are recognized as unrealized gains/losses in the current year.

Contributions and Contributions Receivable:

The Organization adopted the Financial Accounting Standards Board ("FASB"), *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, during the year ended December 31, 2019. This guidance is intended to clarify and improve the scope of accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions.

Contributions are recognized as revenue when they are received or unconditionally pledged. Conditional contributions are not recognized until the conditions are substantially met or explicitly waived.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributions and Contributions Receivable: (Continued)

Contributions are recorded as revenue as either with or without donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor 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 and changes in net assets as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

Revenue from government grants is considered a conditional contribution and is not recognized until the conditions related to this revenue are substantially met or explicitly waived.

Bequests are recognized when the Organization receives notification that the probate court has declared the will valid.

Contributions receivable are stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible contributions receivable to operations when determined to be uncollectible based on historical trends. At December 31, 2019 and 2018, an allowance was not deemed necessary.

Revenue Recognition:

Funds received from various federal, state and local agencies represent contracts awarded to the Organization to provide program services. Revenue with respect to these contracts is recognized when the services have been provided and billed to the contracts.

The Organization is also reimbursed by Medicaid for services provided to consumers, subject to the rules and regulations of the program. Medicaid revenue is recognized when the services have been provided and billed to the Medicaid program.

Income Taxes:

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the years 2019 and 2018. At December 31, 2019 and 2018, there are no significant income tax uncertainties.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Debt Issuance Costs:

Debt issuance costs related to a recognized debt liability are presented in the statements of financial position as a direct deduction from the carrying amount of that debt liability. Amortization of the debt issuance costs is included in interest expense on the statements of functional expenses in the amount of \$12,899 for the years ended December 31, 2019 and 2018, respectively.

Recent Accounting Pronouncements:

The FASB issued an accounting pronouncement, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The effective date for the pronouncement is for periods beginning after December 15, 2019. The Organization is currently evaluating the effect the new standard will have on the financial statements.

The FASB issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. The standard is effective for annual periods beginning after December 15, 2021. The Organization is currently evaluating the effect the new standard will have on the financial statements.

Use of Estimates:

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Information:

The financial statements include certain prior-year, summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Children's Aid and Family Services, Inc.'s financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Subsequent Events:

The Organization has evaluated events subsequent to the statement of financial position date as of December 31, 2019 through December xx, 2020, the date that the financial statements were available to be issued.

CHILDREN’S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, grants and contracts receivable and counseling fees receivable. The Organization maintains its cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Cash equivalents and investments are maintained with investment firms. Exposure to credit risk is reduced by placing such deposits and investments in high-quality financial institutions. Concentration of credit risk with respect to grants and contracts receivable is limited due to the fact that the receivables are mainly from government agencies. Concentration of credit risk with respect to counseling fees receivable is limited due to the large number of patients.

NOTE 4 - GRANTS AND CONTRACTS RECEIVABLE:

Grants and contracts receivable are as follows:

	December 31,	
	2019	2018
State of New Jersey Department of Children and Families	\$ 54,980	\$ 54,377
State of New Jersey Division of Developmental Disabilities	120,982	2,768
County Contributions and Grants	259,008	108,504
Medicaid	948,365	253,626
U.S. Department of Health and Human Services	46,629	41,490
State of New Jersey Division of Mental Health and Addiction Services	43,117	30,709
Other	398,039	-
Total Grants and Contracts Receivable	\$ 1,871,120	\$ 491,474

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

Assets and liabilities at fair value:

FAIR VALUE MEASUREMENTS				
AS OF DECEMBER 31, 2019				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets at fair value:				
Equity securities	\$ 112,295	\$ -	\$ -	\$ 112,295
Equity mutual funds	2,956,937	-	-	2,956,937
Fixed income - bonds	-	681,640	-	681,640
Certificates of deposit	-	95,923	-	95,923
Total assets at fair value	3,069,232	777,563	-	3,846,795
Liabilities at fair value:				
Interest-rate swap	-	(32,254)	-	(32,254)
Total Assets and Liabilities at Fair Value	\$3,069,232	\$ 745,309	\$ -	\$3,814,541

FAIR VALUE MEASUREMENTS				
AS OF DECEMBER 31, 2018				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets at fair value:				
Equity securities	\$1,167,205	\$ -	\$ -	\$1,167,205
Equity mutual funds	2,212,827	-	-	2,212,827
Fixed income - bonds	-	830,024	-	830,024
Certificates of deposit	-	121,233	-	121,233
Total assets at fair value	3,380,032	951,257	-	4,331,289
Liabilities at fair value:				
Interest-rate swap	-	(19,653)	-	(19,653)
Total Assets and Liabilities at Fair Value	\$3,380,032	\$ 931,604	\$ -	\$4,311,636

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS: (Continued)

The following table summarizes the investment portfolio by strategy, category, or industry as of December 31, 2019:

	Equities	Mutual Funds	Fixed Income
Information technology	46%	-	-
Agriculture	5%	-	-
Industrial goods	11%	-	-
Healthcare	38%	-	-
Small growth	-	16%	-
Large growth	-	13%	-
Mid-cap blend	-	13%	-
Large blend	-	44%	-
Foreign	-	10%	-
Diversified emerging markets	-	4%	-
Ultra short-term bond	-	-	73%
High-yield bond	-	-	27%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS: (Continued)

The following table summarizes the investment portfolio by strategy, category, or industry as of December 31, 2018:

	Equities	Mutual Funds	Fixed Income
Financial	34%	-	2%
Information technology	48%	-	-
Industrial goods	6%	-	-
Health care	9%	-	-
Materials	3%	-	-
Small growth	-	16%	-
Large growth	-	18%	-
Small value	-	2%	-
Preferred stock	-	1%	7%
Mid-cap blend	-	15%	-
Small blend	-	2%	-
Diversified emerging markets	-	5%	-
Large blend	-	29%	-
Foreign	-	12%	-
Government bond	-	-	7%
Ultra-short term bond	-	-	60%
Corporate bond	-	-	4%
High-yield bond	-	-	20%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The following schedules summarize the investment return and its classification in the statement of activities and changes in net assets for the years ended December 31:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	\$ 53,053	\$ 69,686	\$ 122,739
Net unrealized gain on investments	287,580	405,092	692,672
Net realized gain on investments	22,427	29,166	51,593
	<u>\$ 363,060</u>	<u>\$ 503,944</u>	<u>\$ 867,004</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS: (Continued)

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	\$ 40,242	\$ 113,583	\$ 153,825
Net unrealized loss on investments	(169,515)	(289,497)	(459,012)
Net realized gain on investments	14,987	42,299	57,286
	<u>\$ (114,286)</u>	<u>\$ (133,615)</u>	<u>\$ (247,901)</u>

NOTE 6 - FIXED ASSETS:

Fixed assets consist of the following:

	December 31,	
	2019	2018
Land	\$ 2,336,987	\$ 2,457,656
Building & Improvments	13,178,482	13,036,034
Furniture & Equipment	910,998	916,589
Leasehold Improvements	30,829	30,829
Autos	304,667	357,061
Construction in progress	15,340	37,256
Software	229,164	229,164
Total Fixed Assets	<u>17,006,467</u>	<u>17,064,589</u>
Less: accumulated depreciation	(8,769,290)	(8,558,975)
Fixed Assets, Net	<u>\$ 8,237,177</u>	<u>\$ 8,505,614</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 7 - DUE TO GOVERNMENT AGENCIES:

Due to government agencies represents excess contract revenue received over allowable expenses earned as follows:

	December 31,	
	2019	2018
New Jersey Division of Developmental Disabilities	\$ 20,564	\$ 20,564
New Jersey Division of Addiction Services	197,810	78,313
New Jersey Division of Child Protection and Permanency	1,153	1,153
Total Due to the State of New Jersey	\$ 219,527	\$ 100,030

NOTE 8 - DEFERRED INCOME:

Deferred income is as follows:

	December 31,	
	2019	2018
Advanced payments	\$ -	\$ 12,112
Housing payments	-	15,655
The Center for Alcohol and Drug Resources	-	7,163
Total Deferred Income	\$ -	\$ 34,930

NOTE 9 - LINE OF CREDIT:

The Organization had a \$3,500,000 line of credit with a bank with interest at 4.75%, with a minimum floor of 4%. The line expired on December 29, 2020 and the Organization is in the process of negotiating the terms of the line of credit renewal. The line is secured by the assets of the Organization. Borrowings outstanding against the line at December 31, 2019 and 2018, amounted to \$2,311,969 and \$3,284,033, respectively.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 - MORTGAGES PAYABLE:

The following is a schedule of mortgages payable:

	December 31,	
	2019	2018
Mortgage payable to NJEDA reported net of unamortized debt issuance costs of \$58,664 and \$70,868, respectively, at December 31, 2019 and 2018. The mortgage is for 20 years, maturing on August 1, 2031. Monthly payments fluctuate based on the underlying bonds issued by NJEDA. The interest rate at December 31, 2019, is 2.78%. The mortgage is secured by the land and building located at 200 Robin Road, Paramus, New Jersey, with a net book value approximating \$1,576,000.	\$ 1,222,477	\$ 1,295,857
Mortgage payable to NJEDA reported net of unamortized debt issuance costs of \$39,069 and \$39,764, respectively, at December 31, 2019 and 2018. The mortgage is for 13 years, maturing on August 1, 2024. Monthly payments fluctuate based on the underlying bonds issued by NJEDA. The interest rate at December 31, 2019, is 2.78%. The mortgage is secured by the land and building located at 200 Robin Road, Paramus, New Jersey, with a net book value approximating \$1,576,000.	615,123	741,805
Mortgage payable to Boiling Springs Savings Bank. The original amount of the mortgage is \$240,000. The mortgage is for 15 years, maturing on December 15, 2029. Commencing on January 1, 2015, consecutive monthly payments of principal and interest in the amount of \$1,867 will be made at a fixed rate of 4.75%. The mortgage is secured by the land and building located at 159 Forest Avenue, Hawthorne, New Jersey, with a net book value approximating \$358,000.	178,048	190,532
Mortgage payable to NJHMFA. The original amount of the mortgage is \$414,997. The mortgage is for 30 years, maturing on December 1, 2049. Payments will be determined based upon 25% of the project's available cash flow after payment of operating expenses and funding of all escrows. If the project does not show positive cash flow, the payment of principle and interest will be deferred until maturity. The interest rate is 0%. The mortgage is secured by the land and building located at 360 Larch Avenue, Bogota, New Jersey, with a net book value approximating \$634,000.	380,468	37,806

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 - MORTGAGES PAYABLE: (Continued)

	December 31,	
	2019	2018
<p>Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is \$120,000. The mortgage is for 20 years, maturing on December 31, 2039. The Organization must maintain this facility as an approved facility for Department clients for a period of 20 years. The mortgage shall be reduced by 5% for each full year credited towards satisfaction of this obligation to the Department. The mortgage is secured by the land and building located at 360 Larch Avenue, Bogota, New Jersey, with a net book value approximating \$634,000.</p>	120,000	-
<p>Mortgage payable to NJHMFA. The original amount of the mortgage is \$468,881. The mortgage is for 30 years, maturing on April 7, 2045. Payments will be determined based upon 25% of the project's available cash flow after payment of operating expenses and funding of all escrows. If the project does not show positive cash flow, the payment of principle and interest will be deferred until maturity. The interest rate is 0%. The mortgage is secured by the land and building located at 42 Middletown Road, Montvale, New Jersey, with a net book value approximating \$834,000, as well as all other assets of the Middletown Road Supportive Housing Project.</p>	468,881	468,881
<p>Mortgage payable to NJHMFA. The original amount of the mortgage is \$388,833; however, only \$383,497 has been disbursed and received as of December 31, 2019. The mortgage is for 30 years, maturing on April 6, 2045. Payments will be determined based upon 25% of the project's available cash flow after payment of operating expenses and funding of all escrows. If the project does not show positive cash flow, the payment of principle and interest will be deferred until maturity. The interest rate is 0%. The mortgage is secured by the land and building located at 4 Park Avenue, Haskell, New Jersey, with a net book value approximating \$561,000, as well as all other assets of the Park Avenue Supportive Housing Project.</p>	388,833	388,833

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 - MORTGAGES PAYABLE: (Continued)

	December 31,	
	2019	2018
Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is \$250,000. The mortgage is for 20 years, maturing on May 19, 2034. The Organization must maintain this facility as an approved facility for Department clients for a period of 20 years. The mortgage shall be reduced by 5% for each full year credited towards satisfaction of this obligation to the Department. The mortgage is secured by the land and building located at 42 Middletown Road, Montvale, New Jersey, with a net book value approximating \$834,000.	212,500	225,000
Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is \$228,935. The mortgage is for 20 years, maturing on April 7, 2035. The Organization must maintain this facility as an approved facility for Department clients for a period of 20 years. The mortgage shall be reduced by 5% for each full year credited towards satisfaction of this obligation to the Department. The mortgage is secured by the land and building located at 4 Park Avenue, Haskell, New Jersey, with a net book value approximating \$561,000.	194,595	206,041
Mortgages payable, net of unamortized debt issuance costs	<u>\$ 3,780,925</u>	<u>\$ 3,554,755</u>

Amortization of debt issuance costs of \$12,899 for each of the two years ended December 31, 2019 and 2018, is reported in interest, credit card fees and other expenses on the statements of functional expenses.

In addition, the mortgage notes contain certain financial requirements. As of December 31, 2018, the Organization was not in compliance with these financial requirements. The Organization received a debt waiver from the bank on September 10, 2019.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 - MORTGAGES PAYABLE: (Continued)

Future principal payments are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 233,919
2021	242,997
2022	249,398
2023	265,177
2024	1,121,891
Thereafter	1,358,181
Forgivable mortgages	<u>407,095</u>
Total mortgages payable	3,878,658
Less: Unamortized debt issuance costs	<u>(97,733)</u>
Mortgages payable, net unamortized debt issuance costs	<u><u>\$ 3,780,925</u></u>

NOTE 11 - DERIVATIVE TRANSACTIONS:

The Organization entered into an interest-rate swap agreement to hedge the impact of changes in interest rates on its floating-rate, long-term debt. At December 31, 2019, the Organization had an outstanding interest-rate swap agreement with a commercial bank. This agreement effectively changed the Organization's interest-rate exposure, on its \$654,192 and \$1,281,141 floating-rate notes, due in August 2024 and 2031, respectively, to a fixed percentage. The interest-rate swap agreement matures on July 26, 2021. The Organization is exposed to credit losses in the event of nonperformance by the other parties to the interest-rate swap agreement. However, the Organization does not anticipate nonperformance by the counterparties.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 12 - NOTES PAYABLE, WAYS TO WORK LOAN PROGRAM:

During 2001, the Organization entered into an agreement with Ways to Work, Inc., to become a member of the Ways to Work Family Loan Program. The Organization entered into agreements with five local banks and received \$135,000 in interest-free loans to make loans to single parents who need to purchase used automobiles for transportation to their place of employment and/or a childcare facility. The funds are required to be placed into separate bank accounts. As of December 31, 2019, the Organization had repaid \$110,000 of these loans.

The Organization also received an additional \$60,000 from Bergen County Community Development to be set aside in separate bank accounts (Loan Loss Reserves) to protect the bank's interest against the risk of potential losses on loan defaults. Under the terms of the agreement, the Organization was required to transfer an amount equal to one-half of the loan amount into the loan reserve account. If any loans fall into default, the bank reserves the right to offset the loan against the funds in the separate account. Upon offset, the bank shall assign the defaulted loan to the Organization including all collateral securing the loan.

The contract with Ways to Work, Inc. expired June 30, 2001. Per the agreement with Bergen County Community Development, any funds not used against the defaulted loans would be refunded by the Organization. As of December 31, 2019, funds of \$10,154 are due on demand and have been included in Notes Payable, Ways to Work, Inc. Family Loan Program.

Notes payable as of December 31, 2019 and 2018, are as follows:

Notes payable to banks	\$	25,000
Loan reserve		10,154
	\$	<u>35,154</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 13 - NOTES PAYABLE, ZOE'S PLACE:

The Organization has a revolving loan payable to the United Way of Bergen County, in the amount of \$125,000. The loan renews annually at the discretion of the United Way on or before December 31 of each calendar year. The loan bears interest at 3% and accrued and unpaid interest is payable on December 31 of each calendar year. The entire outstanding principal balance of the loan, together with all accrued and unpaid interest, shall be due in full 24 months from the effective date on which the United Way elects not to renew the loan. As of December 31, 2016, the note was not renewed. As of December 31, 2019 and 2018, \$62,500 of the loan has been paid back. \$62,500 remains outstanding and is included in notes payable, Zoe's Place on the statements of financial position. Subsequent to year end, this outstanding balance has been paid in full.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are comprised of the following:

	December 31,	
	2019	2018
Time and purpose restrictions:		
Adoption Services:		
For use in future periods to offset expenses		
General Program Expenses	\$ 101,263	\$ 88,521
Day Care:		
For use in future periods to offset expenses		
General Program Expenses	72,819	63,656
Residential Treatment:		
For use in future periods to offset expenses		
General Program Expenses	245,201	201,929
Contributions for use in future periods due to time restrictions	-	196,067
Income on permanently restricted net assets	279,925	542,311
Total time and purpose restrictions	<u>699,208</u>	<u>1,092,484</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

Net assets with donor restrictions are comprised of the following:

Restricted in Perpetuity:		
Investment in perpetuity, the income from which is expendable to support designated activities of the Organization	172,851	162,544
Investment in perpetuity, the income from which is expendable to support community education programs of family counseling services	14,421	14,421
Investment in perpetuity, the income from which is expendable to support any activities of the Organization	1,334,886	1,304,885
House in perpetuity, the use of which is restricted for use as a Path or residence home	382,000	382,000
Total net assets restricted in perpetuity	<u>1,904,158</u>	<u>1,863,850</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,603,366</u>	<u>\$ 2,956,334</u>

The Board of Trustees' interpretation requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted funds absent explicit donor stipulations to the contrary. As a result of this, the Organization classifies as net assets with donor restrictions the original value of gifts donated to the permanent funds and the original value of subsequent gifts to the permanent funds. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the programs
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

CHILDREN'S AID AND FAMILY SERVICES, INC.
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NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

The Board of Trustees' primary objective in this regard, is to add value and minimize risk in managing the assets of the funds while providing a hedge against inflation into the future. It is the intent of the Board of Trustees to grow the funds and utilize the total return (income plus capital change) to further the mission of the Organization. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market and performance cycles cannot be accurately predicted. The funds may be held in individual securities or mutual funds; may be comprised of domestic and international securities; and will be further diversified into asset classes by their market capitalization.

It is the policy of the Organization to accumulate earnings and, at the discretion of the Board of Trustees, to spend, on an annual basis, a maximum of the income earned.

Endowment net asset composition by type of fund is as follows at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,184,083	\$ 2,184,083

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of year	\$ -	\$ 2,406,161	\$ 2,406,161
Investment return:			
Investment income	-	69,386	69,386
Net realized and unrealized gain on investments	-	434,258	434,258
Total investment return	-	503,644	503,644
Contributions	-	40,308	40,308
Appropriation for expenditure	-	(766,030)	(766,030)
Endowment Net Assets, End of year	\$ -	\$ 2,184,083	\$ 2,184,083

CHILDREN'S AID AND FAMILY SERVICES, INC.
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NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

Endowment net asset composition by type of fund is as follows at December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,406,161	\$ 2,406,161

Changes in endowment net assets for the year ended December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of year	\$ -	\$ 3,417,174	\$ 3,417,174
Investment return:			
Investment income	-	113,583	113,583
Net realized and unrealized loss on investments	-	(247,198)	(247,198)
Total investment return	-	(133,615)	(133,615)
Contributions	-	30,500	30,500
Appropriation for expenditure	-	(907,898)	(907,898)
Endowment Net Assets, End of year	\$ -	\$ 2,406,161	\$ 2,406,161

NOTE 15 - PENSION PLANS:

The Organization maintains a noncontributory, defined-contribution plan covering substantially all employees. There are no employer contributions to this Plan. The Organization also maintains a tax-deferred annuity plan covering substantially all employees. Employees can contribute any percentage of their salary provided they do not contribute more than the maximum permitted by law. There are no employer contributions to this Plan.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 16 - COMMITMENTS AND CONTINGENCIES:

Commitments:

The Organization is obligated under several operating leases covering its offices for its programs and administration that expire at various dates through March 2025. Rent expense for the years ended December 31, 2019 and 2018, amounted to \$473,616 and \$386,999, respectively, and is included in occupancy on the statements of functional expenses.

Minimum annual rentals are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 327,346
2021	359,985
2022	253,140
2023	258,276
2024	263,412
Thereafter	67,137
	<u>\$ 1,529,296</u>

The Organization was obligated under a capital lease agreement for furniture at one of the program offices which expired in April 2020. There is a bargain purchase option of \$1 at the end of the lease term. Original lease obligation was \$78,988 and bears an effective interest rate of 7.67% per year.

Future minimum lease payments under capital lease are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 6,357
Less: Amount representing interest	100
Present value of minimum lease payments	<u>\$ 6,257</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 16 - COMMITMENTS AND CONTINGENCIES: (Continued)

Contingencies:

Capital Funding Agreements:

The Organization has entered into several capital funding agreements with the state of New Jersey Department of Children and Families and Department of Human Services for renovations on several of its group homes and day care center for a total of \$1,469,930.

The Organization has agreed to maintain the homes and the day care center as an approved facility for state clients for 20 years from the date of the funding. In the event that the Organization disposes of the property, no longer operates the program, or the state decides to terminate the agreement, the state may require that the Organization pay the state an amount up to the balance remaining on the agreement. The Organization must repay the state 1/20 of the agreement for every year less than 20 years that it operates the group home or day care center.

In addition, the Organization entered into a purchase money mortgage with the state of New Jersey Department of Human Services for the purchase and renovations of the Children's Haven group home in the amount of \$140,000. The Organization has agreed to maintain the home as an approved facility for state clients. In the event that the Organization disposes of the property, no longer operates the program, or the state decides to terminate the agreement, the state may require that the Organization pay the state the entire agreement amount.

The Organization is, therefore, contingently liable to the state in the amount of \$314,906 as of December 31, 2019.

The details of the contingencies are as follows:

Group Home	Capital Funding	Funding Liability
Safe Journey Group Home	\$ 4,680	\$ 2,925
Children's Haven	444,709	150,602
Path II	351,702	40,932
Woodlea	252,462	49,716
Path I	271,358	25,512
Eastlea	285,019	45,219
	<u>\$ 1,609,930</u>	<u>\$ 314,906</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 16 - COMMITMENTS AND CONTINGENCIES: (Continued)

Although the Organization closed several of these programs, the intent is to transition the properties into homes for the developmentally disabled. As long as these homes remain state approved facilities, the Organization should not have to pay these funds back. At this time the state is not requiring payment as the homes are transitioned. Management believes that the Organization will not have to pay these funds back to the state.

The Organization is also involved in various claims, including equal opportunity employment issues, and other routine litigation matters in the normal course of operations. In the opinion of management, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on the Organization's financial position or results of operations.

NOTE 17 - SIGNIFICANT SOURCE OF SUPPORT:

The Organization received approximately 80% of its total support for the years ended December 31, 2019 and 2018, from government agencies, including Medicaid.

Approximately 90% and 100% of the Organization's total grants and contracts receivable for the years ended December 31, 2019 and 2018, respectively, is due from government agencies, including Medicaid.

Approximately 100% and 87% of the Organization's total contributions receivable for the year ended December 31, 2019 and 2018, respectively, is due from one donor.

NOTE 18 - FUNDRAISING EVENTS:

The Organization uses fundraising events to support its activities. The events include charitable fundraisers and funds raised from auxiliary organizations. Fundraising events are summarized as follows:

	December 31,	
	2019	2018
Fundraising events, revenue	\$ 569,387	\$ 600,177
Fundraising events, expense	(162,410)	(174,726)
Fundraising events, net	<u>\$ 406,977</u>	<u>\$ 425,451</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 19 - FUNCTIONAL EXPENSES:

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis on the statements of functional expenses. Accordingly, certain costs have been allocated among program, supporting services and fundraising. General and administrative expenses are those not directly identifiable with any specific function, but which provide for the overall support and direction of the Organization. The financial statements contain certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include occupancy which is allocated based on headcount in each program or department. Expenses such as insurance are based on revenue in each program or department. Salaries and wages, contract supplies, depreciation and other are allocated based on direct costs within the program or department.

NOTE 20 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following represents the Organization's financial assets at December 31, 2019 and 2018, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	2019	2018
Cash and cash equivalents	\$ 1,506,439	\$ 668,609
Accounts receivable	2,072,449	662,276
Level one investments	3,069,232	3,380,032
Total financial assets	<u>6,648,120</u>	<u>4,710,917</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(2,603,366)	(2,956,334)
Plus net assets with purpose restrictions to be met in one year	-	196,067
	<u>(2,603,366)</u>	<u>(2,760,267)</u>
Financial assets available to meet general expenditure over the next 12 months	<u>\$ 4,044,754</u>	<u>\$ 1,950,650</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has a line of credit in the amount of \$3,500,000, of which, approximately, \$1,188,000 and \$215,000 is available at December 31, 2019 and 2018, respectively. In addition, the Organization has \$777,563 and \$951,257 at December 31, 2019 and 2018, respectively, in level 2 investments which consist of bonds and certificates of deposit that can also be liquidated if needed.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 21 - SUBSEQUENT EVENTS:

The Organization is actively monitoring the recent COVID-19 outbreak and its potential impact on our employees, volunteers, donors, consumers, and operations. While we do not expect that the virus will have a material adverse effect on our operations or financial results at this time, we are unable to predict the impact that COVID-19 will have due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

The Organization obtained a Paycheck Protection Program loan under the CARES Act in April 2020 for approximately \$2,120,000. This loan is to provide the Organization with working capital for the purpose of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey. The Organization may receive partial or full forgiveness of the debt if it maintains its employee count, as well as salary levels, during such specified period. The Organization expects to receive full forgiveness of the loan based on the criteria for forgiveness.

Any portion of the loan that is not forgiven must be repaid. Loan payments, if any, are deferred under the PPP Flexibility Act which extends the deferral period until the date the lender receives the applicable forgiven amount from the Small Business Administration, which is not to exceed 10 months after the covered period and is payable with interest at 1%, through 2022. The loan is uncollateralized and guaranteed by the Small Business Association.

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

Grant or Program Title	Original Contract Period	Federal CFDA Number	Grant Number	Program Award Amount	Current Year Disbursements/Expenditures
<u>Federal Programs</u>					
<u>US Department of Health and Human Services</u>					
Passed through the New Jersey Department of Human Services/Division of Mental Health and Addiction Services					
Regional Coalitions to Utilize Environmental Strategies to Achieve Population-level Change					
Illegal Substances	1/1/19 - 12/31/19	93.959	19-754-ADA-0	\$ 202,000	\$ 178,942
Bergen County Underage Drinking	1/1/19 - 12/31/19	93.959	19-754-ADA-0	104,600	103,254
Passaic County Underage Drinking	1/1/19 - 12/31/19	93.959	19-754-ADA-0	137,000	135,637
Prescription Drug Abuse Prevention	1/1/19 - 12/31/19	93.959	19-754-ADA-0	100,000	96,425
Opioid Overdose Recovery Program	1/1/19 - 12/31/19	93.959	19-754-ADA-0	112,000	106,420
Opioid Overdose Recovery Expansion Program	1/1/19 - 12/31/19	93.959	19-754-ADA-0	255,750	255,670
Support Team for Addiction Recovery (STAR) Program	1/1/19 - 12/31/19	93.959	19-754-ADA-0	135,000	130,913
Support Team for Addiction Recovery (STAR) Expansion Progr:	1/1/19 - 12/31/19	93.959	19-754-ADA-0	701,750	305,542
Alternate Approaches to Pain Management in Older Adults	1/1/19 - 12/31/19	93.959	19-754-ADA-0	175,000	59,533
Alternate Approaches to Pain Management in Older Adults	10/1/18 - 9/30/19	93.959	19-804-ADA-0	75,000	67,831
Alternate Approaches to Pain Management in Older Adults	10/1/19 - 9/30/20	93.959	20-804-ADA-0	18,750	18,750
Alternate Approaches to Pain Management in Older Adults	10/1/19 - 9/30/20	93.959	20-804-ADA-0	131,250	29,049
Opioid Abuse in Sport Related Injuries	10/1/18 - 9/30/19	93.959	19-804-ADA-0	12,540	12,540
Opioid Abuse in Sport Related Injuries	10/1/19 - 8/31/20	93.959	20-885-ADA-0	12,540	9,494
Strategic Prevention Framework Partnerships for Success	10/1/18 - 9/30/19	93.959	19-804-ADA-0	70,500	40,285
Strategic Prevention Framework Partnerships for Success	10/1/19 - 9/30/20	93.959	20-804-ADA-0	70,500	70,500
				2,314,180	1,620,785
Drug-free Communities Support	10/1/18 - 9/29/23	93.276	2H79SP080858-07	625,000	108,748
Garfield Coalition STOP Act	9/30/16 - 9/29/20	93.243	1H79SP022010-02	188,580	41,287

See independent auditors' report and accompanying notes to schedules of expenditures of federal and state awards.

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

Grant or Program Title	Original Contract Period	Federal CFDA Number	Grant Number	Program Award Amount	Current Year Disbursements/ Expenditures
Federal Programs					
US Department of Housing and Urban Development					
Passed through the New Jersey					
Department of Human Services					
STRIVE & REACH Art Enhancement Program	7/1/18 - 6/30/19	14.228	PSCAFSSSTRIVE18	58,600	58,600
STRIVE Support Therapies	7/1/19 - 6/30/20	14.228	PSCAFSSSTRIVE19	40,000	40,000
Larch Supportive Housing	7/1/18 - 6/30/22	14.228	HOME-NOUV-2018	138,026	138,026
				236,626	236,626

Total Federal Awards

\$ 3,364,386 \$ 2,007,446

See independent auditors' report and accompanying notes to schedules of expenditures of federal and state awards.

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2019

Grant or Program Title	Original Contract Period	Grant Number	Program Award Amount	Current Year Disbursements/ Expenditures
<u>State Programs</u>				
<u>New Jersey Department of Children and Families</u> Division of Child Protection and Permanency Child Welfare Services	1/1/19 - 12/31/19	19CDBN	\$ 2,346,446	\$ 2,346,446
<u>New Jersey Department of Human Services</u> Division of Developmental Disabilities	1/1/19 - 12/31/19	39BK19N	287,434	287,434
<u>Bergen County Department of Human Services</u> Passed through the New Jersey Department of Law and Public Safety Juvenile Justice Commission Second Step Delinquency Prevention	1/1/19 - 12/31/19	CAFS-S19	92,773	91,975
Total State Awards			<u>\$ 2,726,653</u>	<u>\$ 2,725,855</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedules of federal and state awards include the federal and state grant activity of the Organization and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SUBRECIPIENTS:

During the year ended December 31, 2019, the Organization did not provide any funds relating to their federal and state programs to subrecipients.

NOTE 3 - INDIRECT COSTS:

The Organization did not elect to use the de minimis cost rate when allocating indirect costs to federal and state programs.

NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:

As of December 31, 2019, the Organization did not have any federal or state loan or loan guarantee programs.

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 Trustees
Children's Aid and Family Services, Inc.
Paramus, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Children's Aid and Family Services, Inc. ("Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon, dated December xx, 2020.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 the Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants

Livingston, New Jersey
December xx, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NJOMB CIRCULAR LETTER 15-08

To the Board of Trustees
Children's Aid and Family Services, Inc.
Paramus, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited Children's Aid and Family Services, Inc.'s ("Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* and the New Jersey Office of Management and Budget ("NJOMB") *Compliance Supplement* that could have a direct and material effect on each of the Organization's major programs for the year ended December 31, 2019. The Organization's major programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; 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"); and NJOMB Circular Letter 15-08. Those standards and the Uniform Guidance and NJOMB Circular Letter 15-08 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 or state program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal and State 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 each of its major federal and state programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Children's Aid and Family Services, Inc. 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB Circular Letter 15-08, 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 Organization'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 or state 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 or state 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 or state 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 and NJOMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.

Certified Public Accountants

Livingston, New Jersey
December xx, 2020

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

I. Summary of Auditors' Results

Financial Statements

The auditors' report issued on the basic financial statements of Children's Aid and Family Services, Inc. was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal and State Awards

Internal control over major programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

The auditors' report issued on compliance for major programs was an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or NJOMB Circular Letter 15-08? _____ Yes X No

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

The following federal and state programs were designated as major programs:

<u>CFDA Number</u>	<u>Name of Federal or State Program or Cluster</u>
93.959	<u>Department of Health and Human Services:</u> New Jersey Division of Mental Health and Addiction Services The Center for Drug and Alcohol Abuse Grants
19CDBN	New Jersey Department of Children and Families Division of Child Protection and Permanency Child Welfare Services

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee? Yes X No

II. Financial Statement Finding

NONE

III. Compliance Finding

NONE

IV. Follow-up of Prior-year Audit Findings

NONE