

CHILDREN'S AID AND FAMILY SERVICES, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020 AND 2019



SOBEL & CO. LLC

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

CHILDREN’S AID AND FAMILY SERVICES, INC.

DECEMBER 31, 2020 AND 2019

CONTENTS

	<u>Page</u>
Independent Auditors’ Report.....	1-2
Financial Statements:	
Statements of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4
Statements of Cash Flows.....	5-6
Statements of Functional Expenses	7-8
Notes to Financial Statements.....	9-34
Supplementary Information:	
Schedule of Expenditures of Federal Awards	35-36
Schedule of Expenditures of State Awards	37
Notes to the Schedules of Expenditures of Federal and State Awards	38
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>	39-40
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and New Jersey OMB Circular Letter 15-08	41-42
Schedule of Findings and Questioned Costs.....	43-44

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, 2020, 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Organization adopted Financial Accounting Standards Board, *Revenue from Contracts with Customers*, as described in Note 2 during the year ended December 31, 2020. 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 November 8, 2021, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report, dated January 29, 2021. In our opinion, the summarized, comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Livingston, New Jersey
November 8, 2021

Sobel & Co., LLC

Certified Public Accountants



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

	December 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 3,585,721	\$ 1,506,439
Grants and contracts receivable	1,715,195	1,871,120
Contributions receivable	189,737	191,540
Fees receivable, net	20,699	9,789
Investments	4,877,290	3,846,795
Prepaid expenses and other assets	321,847	386,318
Fixed assets, net	9,429,059	8,237,177
	<u>\$ 20,139,548</u>	<u>\$ 16,049,178</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 802,404	\$ 407,548
Accrued expenses	1,187,274	649,482
Due to Zoe's Place	267	3,460
Due to government agencies	385,972	219,527
Deferred income	2,119,727	-
Deferred rent	85,303	91,083
Lease obligation	-	5,064
Mortgage payable, net	4,699,115	3,780,925
Notes payable, Ways to Work Family Loan Program	35,154	35,154
Notes payable, Zoe's Place	-	62,500
Line of credit	-	2,311,969
Total Liabilities	<u>9,315,216</u>	<u>7,566,712</u>
OBLIGATIONS UNDER INTEREST-RATE SWAP	<u>22,859</u>	<u>32,254</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	7,285,175	5,846,846
With donor restrictions	3,516,298	2,603,366
Total Net Assets	<u>10,801,473</u>	<u>8,450,212</u>
	<u>\$ 20,139,548</u>	<u>\$ 16,049,178</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2020
(With Summarized, Comparative Totals for the Year Ended December 31, 2019)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>2020</u> <u>Total</u>	<u>2019</u> <u>Total</u>
Support:				
Private Support:				
Contributions	\$ 1,286,261	\$ 431,073	\$ 1,717,334	\$ 1,898,166
Fundraising, net	239,089	56,580	295,669	406,977
Total Private Support	<u>1,525,350</u>	<u>487,653</u>	<u>2,013,003</u>	<u>2,305,143</u>
Government Support:				
Federal and state	22,313,480	-	22,313,480	15,080,873
Revenue and Gains:				
Program fees and dues	793,274	-	793,274	552,218
Counseling fees	2,210	-	2,210	5,270
Interest and dividend income	41,378	56,267	97,645	122,739
Net unrealized gain on investments	193,562	290,717	484,279	692,672
Net realized gain on investments	57,577	78,295	135,872	51,593
(Loss) Gain on disposal of assets	(159,265)	-	(159,265)	2,954
Unrealized gain (loss) on interest-rate swap	9,395	-	9,395	(12,601)
Miscellaneous revenue	23,946	-	23,946	24,034
Total Revenue and Gains	<u>962,077</u>	<u>425,279</u>	<u>1,387,356</u>	<u>1,438,879</u>
Total Support, Revenue and Gains	<u>24,800,907</u>	<u>912,932</u>	<u>25,713,839</u>	<u>18,824,895</u>
Expenses:				
Program Services:				
Adoption services	371,739	-	371,739	369,165
Counseling services	1,640,261	-	1,640,261	1,512,177
Residential treatment	1,399,845	-	1,399,845	1,435,628
Services for developmentally disabled	14,460,867	-	14,460,867	8,292,882
Community services	219,216	-	219,216	223,898
Addiction prevention	2,172,014	-	2,172,014	2,178,541
Total Program Services	<u>20,263,942</u>	<u>-</u>	<u>20,263,942</u>	<u>14,012,291</u>
Supporting Services:				
Management and general	2,558,083	-	2,558,083	2,474,019
Fundraising	540,553	-	540,553	553,462
Total Supporting Services	<u>3,098,636</u>	<u>-</u>	<u>3,098,636</u>	<u>3,027,481</u>
Total Expenses	<u>23,362,578</u>	<u>-</u>	<u>23,362,578</u>	<u>17,039,772</u>
Changes in Net Assets	1,438,329	912,932	2,351,261	1,785,123
Net Assets, Beginning of year	5,846,846	2,603,366	8,450,212	6,665,089
Net Assets, End of year	<u>\$ 7,285,175</u>	<u>\$ 3,516,298</u>	<u>\$ 10,801,473</u>	<u>\$ 8,450,212</u>

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,	
	2020	2019
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 2,351,261	\$ 1,785,123
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	601,392	542,035
Bad debt	-	6,842
Net unrealized gain on investments	(484,279)	(692,672)
Net realized gain on investments	(135,872)	(51,593)
Net unrealized (gain) loss on interest-rate swap	(9,395)	12,601
Net realized loss (gain) on sale of fixed assets	159,265	(2,954)
Noncash securities donation	(6,539)	(23,998)
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	155,925	(1,379,646)
Contributions receivable	1,803	(37,737)
Fees receivable	(10,910)	368
Prepaid expenses and other assets	64,471	(200,464)
Accounts payable	394,856	214,965
Accrued expenses	537,792	361,148
Due to government agencies	166,445	119,497
Due to Zoe's Place	(3,193)	2,060
Deferred rent	(5,780)	-
Deferred income	2,119,727	(34,930)
Net Cash Provided By Operating Activities	<u>5,885,921</u>	<u>609,597</u>
<u>INVESTING ACTIVITIES:</u>		
Purchases of fixed assets	(1,952,539)	(709,612)
Proceeds from sale of fixed assets	-	438,968
Proceeds from sale of investments	499,618	1,776,021
Purchases of investments	(903,423)	(523,264)
Net Cash (Used for) Provided by Investing Activities	<u>(2,356,344)</u>	<u>982,113</u>
<u>FINANCING ACTIVITIES:</u>		
Repayment of mortgages payable	(296,417)	(345,444)
Proceeds from mortgages	1,163,155	582,662
Repayment of lease obligation	(5,064)	(19,034)
Borrowings from line of credit	665,797	327,936
Repayment of line of credit	(2,977,766)	(1,300,000)
Net Cash Used for Financing Activities	<u>(1,450,295)</u>	<u>(753,880)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,079,282	837,830
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>1,506,439</u>	<u>668,609</u>
End of year	<u>\$ 3,585,721</u>	<u>\$ 1,506,439</u>

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

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

	Year Ended December 31,	
	2020	2019
SUPPLEMENTAL DATA:		
Interest paid	\$ 197,434	\$ 251,093
NONCASH INVESTING ACTIVITIES:		
Securities donation	\$ 6,539	\$ 23,998

CHILDREN'S AID AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	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	\$ 238,726	\$ 1,099,778	\$ 689,685	\$ 9,027,129	\$ 46,099	\$ 1,295,002	\$ 12,396,419	\$ 1,437,801	\$ 312,565	\$ 1,750,366	\$ 14,146,785
Payroll taxes and employee benefits	53,246	243,434	153,385	2,003,547	10,196	286,309	2,750,117	298,194	70,671	368,865	3,118,982
Total Salaries and Related Expenses	291,972	1,343,212	843,070	11,030,676	56,295	1,581,311	15,146,536	1,735,995	383,236	2,119,231	17,265,767
Professional fees	40	9,885	11,009	471,348	39,639	10,859	542,780	223,071	8,878	231,949	774,729
Supplies	3,506	20,904	11,922	95,131	1,295	17,339	150,097	32,156	11,043	43,199	193,296
Telephone	8,879	23,735	24,718	167,207	510	26,508	251,557	20,308	7,359	27,667	279,224
Postage and shipping	465	2,549	450	3,544	233	449	7,690	4,589	912	5,501	13,191
Occupancy	42,279	161,828	86,275	784,007	864	176,205	1,251,458	26,334	16,885	43,219	1,294,677
Outside printing and promotion	5,949	3,881	708	12,244	475	1,920	25,177	18,157	14,065	32,222	57,399
Local travel and related expenses	7,766	5,359	20,921	244,611	363	9,196	288,216	13,057	136	13,193	301,409
Conferences, conventions and major trips	100	226	2,048	3,195	-	17,990	23,559	3,045	387	3,432	26,991
Specific assistance to/for individuals	2,211	28,152	285,380	137,427	21,152	287,496	761,818	43,413	10,832	54,245	816,063
Repairs	1,279	1,595	31,572	403,818	660	2,410	441,334	16,003	36,256	52,259	493,593
Insurance	5,325	28,079	27,561	266,282	3,230	29,351	359,828	17,498	22,552	40,050	399,878
Membership dues	767	3,155	1,718	647	11	190	6,488	4,003	12,048	16,051	22,539
Food	555	3,215	32,067	464,177	89,230	7,219	596,463	4,188	974	5,162	601,625
Depreciation and amortization	646	4,486	20,426	326,894	5,259	3,571	361,282	239,891	219	240,110	601,392
Interest, credit card fees and other	-	-	-	49,659	-	-	49,659	156,375	14,771	171,146	220,805
	\$ 371,739	\$ 1,640,261	\$ 1,399,845	\$ 14,460,867	\$ 219,216	\$ 2,172,014	\$ 20,263,942	\$ 2,558,083	\$ 540,553	\$ 3,098,636	\$ 23,362,578

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

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020 AND 2019

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, 2020 and 2019, 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, 2020 and 2019.

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, 2020 AND 2019

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 that 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, 2020 AND 2019

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, 2020 and 2019, was \$421,401 and \$520,171, 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.

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:

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.

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. Cash received in excess of revenue recognized is reported as deferred income.

CHILDREN’S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Contributions and Contributions Receivable: (Continued)

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, 2020 and 2019, an allowance was not deemed necessary.

Revenue Recognition:

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting pronouncement, *Revenue from Contracts with Customers*, which is a comprehensive new revenue recognition standard that supersedes existing revenue recognition guidance. 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 FASB also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2020, the first day of the Organization’s fiscal year using the modified retrospective approach.

As part of the adoption of the pronouncement, the Organization elected the following transition practical expedients: to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The Organization derives a significant portion of its revenue from fee for services, which is included in government support on the statement of activities and changes in net assets. It is comprised of Medicaid, New Jersey State fee-for-service, and various client fees. Revenues are recognized when services are transferred to the Organization’s clients in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. For the performance obligation relating to these fee-for-service revenues, control transfers to the client over time as the services are provided to the client. Revenue under fee-for-services are recognized based on agreed-upon daily rates. There are no significant financing components or variable considerations provided to clients.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Revenue Recognition: (Continued)

The Organization derives another portion of its revenue from program and counseling fees, which is included in program fees and dues and counseling fees on the statement of activities and changes in net assets. It is comprised of various client fees. Revenues are recognized when services are transferred to the Organization's clients in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. For the performance obligation relating to these program and counseling fees, control transfers to the client over time as the services are provided to the client. Revenue under program and counseling fees are recognized based on agreed-upon rates. There are no significant financing components or variable considerations provided to clients.

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 derecognition, 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 2020 and 2019. At December 31, 2020 and 2019, there are no significant income tax uncertainties.

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, 2020 and 2019, respectively.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Recent Accounting Pronouncements:

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, 2019, 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, 2020, through November 8, 2021, the date that the financial statements were available to be issued.

CHILDREN’S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 clients.

NOTE 4 - GRANTS AND CONTRACTS RECEIVABLE:

Grants and contracts receivable are as follows:

	December 31,	
	2020	2019
State of New Jersey Department of Children and Families	\$ 71,191	\$ 31,415
State of New Jersey Division of Developmental Disabilities	64,717	218,244
County Contributions and Grants	129,291	251,328
Medicaid	763,898	950,180
U.S. Department of Health and Human Services	42,854	46,629
State of New Jersey Division of Mental Health and Addiction Services	525,646	159,099
Other	117,598	214,225
Total Grants and Contracts Receivable	<u>\$ 1,715,195</u>	<u>\$ 1,871,120</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

Assets and liabilities at fair value:

FAIR VALUE MEASUREMENTS				
AS OF DECEMBER 31, 2020				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets at fair value:				
Equity securities	\$ 5,463	\$ -	\$ -	\$ 5,463
Equity mutual funds	3,941,981	-	-	3,941,981
Fixed income - bonds	-	817,432	-	817,432
Certificates of deposit	-	112,414	-	112,414
Total assets at fair value	3,947,444	929,846	-	4,877,290
Liabilities at fair value:				
Interest-rate swap	-	(22,859)	-	(22,859)
Total Assets and Liabilities at Fair Value	\$ 3,947,444	\$ 906,987	\$ -	\$ 4,854,431

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

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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:

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	\$ 41,378	\$ 56,267	\$ 97,645
Net unrealized gain on investments	193,562	290,717	484,279
Net realized gain on investments	57,577	78,295	135,872
	<u>\$ 292,517</u>	<u>\$ 425,279</u>	<u>\$ 717,796</u>

	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, 2020 AND 2019

NOTE 6 - FIXED ASSETS:

Fixed assets consist of the following:

	December 31,	
	2020	2019
Land	\$ 2,876,984	\$ 2,336,987
Building & Improvements	13,296,253	13,178,482
Furniture & Equipment	983,071	910,998
Leasehold Improvements	30,829	30,829
Autos	304,667	304,667
Construction in progress	189,251	15,340
Software	229,164	229,164
Total Fixed Assets	17,910,219	17,006,467
Less: accumulated depreciation	(8,481,160)	(8,769,290)
Fixed Assets, Net	<u>\$ 9,429,059</u>	<u>\$ 8,237,177</u>

NOTE 7 - DUE TO GOVERNMENT AGENCIES:

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

	December 31,	
	2020	2019
New Jersey Division of Developmental Disabilities	\$ 20,564	\$ 20,564
New Jersey Division of Addiction Services	364,255	197,810
New Jersey Division of Child Protection and Permanency	1,153	1,153
Total Due to the State of New Jersey	<u>\$ 385,972</u>	<u>\$ 219,527</u>

NOTE 8 - 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 will expire on October 31, 2021, 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, amounted to \$2,311,969. There was no balance outstanding on the line at December 31, 2020.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 - MORTGAGES PAYABLE:

The following is a schedule of mortgages payable:

	December 31,	
	2020	2019
Mortgage payable to NJEDA reported net of unamortized debt issuance costs of \$51,433 and \$58,664, respectively, at December 31, 2020 and 2019. 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, 2020, is 1.66%. The mortgage is secured by the land and building located at 200 Robin Road, Paramus, New Jersey, with a net book value approximating \$1,501,000.	\$ 1,140,939	\$ 1,222,477
Mortgage payable to NJEDA reported net of unamortized debt issuance costs of \$33,401 and \$39,069, respectively, at December 31, 2020 and 2019. 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, 2020, is 1.66%. The mortgage is secured by the land and building located at 200 Robin Road, Paramus, New Jersey, with a net book value approximating \$1,501,000.	489,894	615,123
Mortgage payable to Blue Foundry 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 \$340,000.	163,796	178,048
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 \$647,000.	380,468	380,468

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 - MORTGAGES PAYABLE: (Continued)

	December 31,	
	2020	2019
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 November 26, 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 \$647,000.	120,000	120,000
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 \$783,000, as well as all other assets of the Middletown Road Supportive Housing Project.	468,881	468,881
Mortgage payable to NJHMFA. The original amount of the mortgage is \$388,833. 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 \$528,000, as well as all other assets of the Park Avenue Supportive Housing Project.	388,833	388,833

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 - MORTGAGES PAYABLE: (Continued)

	December 31,	
	2020	2019
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 \$783,000.	200,000	212,500
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 \$528,000.	183,148	194,595
Mortgage payable to NJHMFA. The original amount of the mortgage is \$338,823. As of December 31, 2020, NJHMFA had disbursed \$132,605. The balance of the loan will be disbursed during 2021. The mortgage is for 30 years, maturing on December 1, 2050. 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 163 Pleasant Valley Way, W. Orange, New Jersey, with a net book value approximating \$632,000.	132,605	-

CHILDREN’S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 - MORTGAGES PAYABLE: (Continued)

	December 31,	
	2020	2019
Mortgage payable to TD Bank, N.A. The original amount of the mortgage is \$1,050,000. The mortgage is for 20 years, maturing on April 1, 2040. Commencing on May 1, 2020, consecutive monthly payments of principal and interest in the amount of \$5,818 will be made at a fixed rate of 2.947%. There are two interest reset dates. The first interest reset date is March 31, 2030, and the second interest reset date is March 31, 2035. The mortgage is secured by the land and buildings located at 2012 Macopin Road, West Milford, New Jersey, 213 LaRue Road, West Milford, New Jersey, and 432 Stonetown Road, Ringwood, New Jersey. The net book value of the three locations approximates \$1,314,500.	1,024,291	-
Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is \$6,260. The mortgage is for 20 years, maturing on May 15, 2040. 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 58 Farnham Avenue, Garfield, New Jersey, with a net book value approximating \$308,000.	6,260	-
Mortgages payable, net of unamortized debt issuance costs	<u>\$4,699,115</u>	<u>\$3,780,925</u>

Amortization of debt issuance costs of \$12,899 for each of the two years ended December 31, 2020 and 2019, 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.

CHILDREN’S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9 - MORTGAGES PAYABLE: (Continued)

Future principal payments are as follows:

<u>Year Ended December 31,</u>	
2021	\$ 302,019
2022	294,532
2023	305,718
2024	252,896
2025	171,144
Thereafter	2,948,232
Forgivable mortgages	<u>509,408</u>
Total Mortgage Payable	4,783,949
Less: Unamortized debt issuance costs	<u>(84,834)</u>
Mortgage Payable, net unamortized debt issuance costs	<u>\$ 4,699,115</u>

NOTE 10 - 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, 2020 and 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 \$523,295 and \$1,192,372 floating-rate notes, due in August 2024 and 2031, respectively, to a fixed percentage. The interest-rate swap agreement matured on July 26, 2021. The Organization was exposed to credit losses in the event of nonperformance by the other parties to the interest-rate swap agreement. However, the Organization did not encounter nonperformance by the counterparties.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 11 - 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, 2020, 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, 2020, 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, 2020 and 2019, 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, 2020 AND 2019

NOTE 12 - NOTES PAYABLE, ZOE'S PLACE:

The Organization had a revolving loan payable to the United Way of Bergen County, in the amount of \$125,000. The loan renewed 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, was 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, \$62,500 of the loan has been paid back. The remaining outstanding loan balance of \$62,500 has been paid in full as of December 31, 2020.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are comprised of the following:

	December 31,	
	2020	2019
Time and purpose restrictions:		
Adoption Services:		
For use in future periods to offset expenses		
General Program Expenses	\$ 111,769	\$ 101,263
Day Care:		
For use in future periods to offset expenses		
General Program Expenses	80,374	72,819
Residential Treatment:		
For use in future periods to offset expenses		
General Program Expenses	374,719	245,201
Income on permanently restricted net assets	1,010,739	279,925
Total time and purpose restrictions	<u>1,577,601</u>	<u>699,208</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

Net assets with donor restrictions are comprised of the following:

	December 31,	
	2020	2019
Restricted in Perpetuity:		
Investment in perpetuity, the income from which is expendable to support designated activities of the Organization	172,851	172,851
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	1,369,425	1,334,886
House in perpetuity, the use of which is restricted for use as a residential home	382,000	382,000
Total net assets restricted in perpetuity	<u>1,938,697</u>	<u>1,904,158</u>
Total Net Assets With Donor Restrictions	<u>\$ 3,516,298</u>	<u>\$ 2,603,366</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.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 13 - 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, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,949,436	\$ 2,949,436

Changes in endowment net assets for the year ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of year	\$ -	\$ 2,184,083	\$ 2,184,083
Investment return:			
Investment income	-	56,267	56,267
Net realized and unrealized gain on investments	-	369,012	369,012
Total Investment Return	-	425,279	425,279
Contributions	-	340,074	340,074
Endowment Net Assets, End of year	\$ -	\$ 2,949,436	\$ 2,949,436

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

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

NOTE 14 - PENSION PLANS:

The Organization maintains a noncontributory, defined-contribution plan covering substantially all employees. There are no employee 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.

The Organization made its ad-hoc contribution in the amount of approximately \$354,000, for the year ended December 31, 2020, subsequent to year end which is included in accrued expenses on the statement of financial position.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 14 - PENSION PLANS: (Continued)

During 2020, the Organization erroneously calculated the pension contributions and is working with the provider to correct all employee individual accounts. As a result, there is \$60,000 due to the plan from the Organization as of December 31, 2020, which is included in accrued expenses on the statement of financial position.

NOTE 15 - 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, 2020 and 2019, amounted to \$581,566 and \$473,616, respectively, and is included in occupancy on the statements of functional expenses.

Minimum annual rentals are as follows:

<u>Year Ending December 31,</u>	
2021	\$ 277,469
2022	253,140
2023	258,276
2024	263,412
2025	67,137
	<u>\$ 1,119,434</u>

The Organization was obligated under a capital lease agreement for furniture at one of the program offices, which was paid in full as of April 2020.

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 center for a total of \$1,469,930.

CHILDREN’S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 15 - COMMITMENTS AND CONTINGENCIES: (Continued)

Capital Funding Agreements: (Continued)

The Organization has agreed to maintain the homes and the day 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 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 \$278,191 as of December 31, 2020.

The details of the contingencies are as follows:

Group Home	Funding	Liability
West Orange	\$ 4,680	\$ 2,691
Park Ridge	444,709	147,952
Ridgewood	185,573	27,836
Woodlea	252,462	42,387
Paramus	271,358	19,721
Bogota	451,148	37,604
	<u>\$ 1,609,930</u>	<u>\$ 278,191</u>

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 and is working with the state to have these funds forgiven.

The Organization is also involved in various claims 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.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 16 - SIGNIFICANT SOURCE OF SUPPORT:

The Organization received approximately 85% and 80%, respectively, of its total support for the years ended December 31, 2020 and 2019, from government agencies, including Medicaid.

Approximately 90% of the Organization's total grants and contracts receivable for the years ended December 31, 2020 and 2019, is due from government agencies, including Medicaid.

Approximately 100% of the Organization's total contributions receivable for the year ended December 31, 2020, is due from two donors. Approximately 100% of the Organization's total contributions receivable for the year ended December 31, 2019, is due from one donor.

NOTE 17 - 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:

	Year Ended	
	December 31,	
	2020	2019
Fundraising events, revenue	\$ 395,427	\$ 569,387
Fundraising events, expense	(99,758)	(162,410)
Fundraising events, net	\$ 295,669	\$ 406,977

NOTE 18 - 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.

CHILDREN’S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 19 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following represents the Organization’s financial assets at December 31, 2020 and 2019, 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.

	December 31,	
	2020	2019
Cash and cash equivalents	\$ 3,585,721	\$ 1,506,439
Accounts receivable	1,925,631	2,072,449
Level one investments	3,947,444	3,069,232
Total financial assets	<u>9,458,796</u>	<u>6,648,120</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(3,516,298)</u>	<u>(2,603,366)</u>
Financial assets available to meet general expenditure over the next 12 months	<u>\$ 5,942,498</u>	<u>\$ 4,044,754</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 \$929,846 and \$777,563 at December 31, 2020 and 2019, 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, 2020 AND 2019

NOTE 20 - PAYCHECK PROTECTION LOAN:

The Organization obtained a Paycheck Protection Program (“PPP”) loan under the CARES Act in April 2020 for \$2,119,727. Under the terms of the PPP, loans and accrued interest are forgivable after twenty-four weeks, as long as, the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgiveness period.

The Organization recorded the \$2,119,727 received as a conditional government grant and will recognize revenue when the Organization satisfies the conditions set forth by the U.S. Small Business Administration. The Organization received full forgiveness from the Small Business Administration in July 2021. All amounts received under the PPP were recognized as deferred income on the statements of financial position.

NOTE 21 - RISKS AND UNCERTAINTIES:

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.

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

Grant or Program Title	Original Contract Period	Federal CFDA Number	Grant Number	Program Award Amount	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					
	1/1/20 - 12/31/20	93.959	20-754-ADA-0	\$ 202,000	\$ 138,160
Illegal Substances	1/1/20 - 12/31/20	93.959	20-754-ADA-0	104,600	94,758
Bergen County Underage Drinking	1/1/20 - 12/31/20	93.959	20-754-ADA-0	137,000	131,938
Passaic County Underage Drinking	1/1/20 - 12/31/20	93.959	20-754-ADA-0	100,000	83,107
Prescription Drug Abuse Prevention	1/1/20 - 12/31/20	93.959	20-754-ADA-0	112,000	92,233
Opioid Overdose Recovery Program	1/1/20 - 9/30/20	93.959	20-754-ADA-0	191,813	192,963
Opioid Overdose Recovery Program	10/1/20 - 9/30/21	93.959	21-804-ADA-0	255,750	85,830
Opioid Overdose Recovery Expansion Program	1/1/20 - 9/30/20	93.959	20-754-ADA-0	135,000	135,017
Opioid Overdose Recovery Expansion Program	10/1/20 - 9/30/21	93.959	21-804-ADA-0	270,000	38,475
Support Team for Addiction Recovery (STAR) Program	1/1/20 - 9/30/20	93.959	20-754-ADA-0	262,500	245,430
Support Team for Addiction Recovery (STAR) Program	10/1/20 - 9/30/21	93.959	21-804-ADA-0	350,000	76,817
Support Team for Addiction Recovery (STAR) Expansion Program	1/1/20 - 9/30/20	93.959	20-754-ADA-0	105,000	105,000
Support Team for Addiction Recovery (STAR) Expansion Program	10/1/20 - 9/30/21	93.959	21-804-ADA-0	140,000	29,274
Alternate Approaches to Pain Management in Older Adults-Bergen Cty	10/1/19 - 9/30/20	93.959	20-804-ADA-0	75,000	1,469
Alternate Approaches to Pain Management in Older Adults-Bergen Cty	10/1/20 - 9/30/21	93.959	21-804-ADA-0	75,000	14,876
Alternate Approaches to Pain Management in Older Adults-Passaic Cty	10/1/19 - 9/30/20	93.959	20-804-ADA-0	75,000	28,090
Alternate Approaches to Pain Management in Older Adults-Passaic Cty	10/1/20 - 9/30/21	93.959	21-804-ADA-0	75,000	14,961
Strategic Prevention Framework Partnerships for Success	10/1/19 - 9/30/20	93.959	20-804-ADA-0	70,500	42,976
Strategic Prevention Framework Partnerships for Success	10/1/20 - 9/30/21	93.959	21-804-ADA-0	70,500	21,374
Opioid Abuse in Sport Related Injuries	10/1/19 - 8/31/20	93.959	20-804-ADA-0	11,495	7,973
Opioid Abuse in Sport Related Injuries	9/1/20 - 8/31/21	93.959	21-804-ADA-0	12,540	2,566
				<u>2,830,698</u>	<u>1,583,287</u>
Drug-free Communities Support	10/1/18 - 9/29/23	93.276	2H79SPO80858-08	625,000	125,000
Garfield Coalition STOP Act	9/30/16 - 9/29/20	93.243	1H79SP022010-04	188,580	28,984

See independent auditors' report and accompanying notes to the 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, 2020

Grant or Program Title	Original Contract Period	Federal CFDA Number	Grant Number	Program Award Amount	Disbursements/ Expenditures
<u>Federal Programs</u>					
<u>US Department of Housing and Urban Development</u>					
Passed through the New Jersey Department of Human Services STRIVE Support Therapies	7/1/19 - 6/30/20	14.228	PSCAFSSTRIVE20	40,000	40,000
Total Federal Awards				<u>\$ 3,684,278</u>	<u>\$ 1,777,271</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2020

Grant or Program Title	Original Contract Period	Grant Number	Program Award Amount	Disbursements/ Expenditures
<u>State Programs</u>				
<u>New Jersey Department of Children and Families</u>				
Division of Child Protection and Permanency				
Child Welfare Services	1/1/20 - 6/30/21	20CDBN	\$ 2,748,529	\$ 2,307,814
<u>New Jersey Department of Human Services</u>				
Division of Mental Health and Addiction				
Passed through the Bergen County Sheriff				
Medication Assisted Treatment Grant	1/1/20 - 12/31/20	20-914-ADA-B3	249,331	96,451
<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	1/1/20 - 12/31/20	CAFS-S20	<u>92,773</u>	<u>88,743</u>
Total State Awards			<u>\$ 3,090,633</u>	<u>\$ 2,493,008</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS**
YEAR ENDED DECEMBER 31, 2020

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, 2020, 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, 2020, 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, 2020, 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 November 8, 2021.

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.

Livingston, New Jersey
November 8, 2021

Sobel & Co, LLC

Certified Public Accountants

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, 2020. 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, 2020.

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.

Sobel & Co., LLC

Certified Public Accountants

Livingston, New Jersey
November 8, 2021

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

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, 2020

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
20CDBN	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