

CHILDREN'S AID AND FAMILY SERVICES. INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020



SobelCo
Certified Public Accountants & Advisors

CHILDREN'S AID AND FAMILY SERVICES, INC.

DECEMBER 31, 2021 AND 2020

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Children's Aid and Family Services, Inc. ("Organization"), a New Jersey nonprofit corporation, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

Basis for Opinion

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. Our responsibility under those standards is further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary 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 36-38, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principals, 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 schedules of expenditures of federal and state awards are 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 October 27, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized, Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report, dated November 8, 2021. In our opinion, the summarized, comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Livingston, New Jersey
October 27, 2022

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

	December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 6,062,748	\$ 3,585,721
Grants and contracts receivable	2,290,311	1,715,195
Contributions receivable	83,710	189,737
Fees receivable	12,579	20,699
Investments	6,212,516	4,877,290
Prepaid expenses and other assets	459,931	321,847
Fixed assets, net	10,884,632	9,429,059
	<u>\$ 26,006,427</u>	<u>\$ 20,139,548</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 481,480	\$ 802,404
Accrued expenses	2,004,852	1,187,274
Due to Zoe's Place	-	267
Due to government agencies	860,957	385,972
Deferred income	265,118	2,119,727
Deferred rent	71,314	85,303
Mortgage payable, net	6,044,101	4,699,115
Notes payable, Ways to Work Family Loan Program	-	35,154
Total Liabilities	<u>9,727,822</u>	<u>9,315,216</u>
OBLIGATIONS UNDER INTEREST-RATE SWAP	<u>-</u>	<u>22,859</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	10,499,815	7,285,175
With donor restrictions	5,778,790	3,516,298
Total Net Assets	<u>16,278,605</u>	<u>10,801,473</u>
	<u>\$ 26,006,427</u>	<u>\$ 20,139,548</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2021

(With Summarized, Comparative Totals for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Support:				
Private Support:				
Contributions	\$ 1,435,386	\$ 167,662	\$ 1,603,048	\$ 1,717,334
Fundraising, net	247,316	92,576	339,892	295,669
Total Private Support	1,682,702	260,238	1,942,940	2,013,003
Government Support:				
Federal and state	24,193,279	-	24,193,279	22,313,480
Revenue and Gains:				
Program fees and dues	908,057	-	908,057	793,274
Counseling fees	4,000	-	4,000	2,210
Interest and dividend income	74,003	104,166	178,169	97,645
Net unrealized gain on investments	316,409	460,007	776,416	484,279
Net realized gain on investments	1,824	-	1,824	135,872
Gain (Loss) on disposal of assets	62,187	-	62,187	(159,265)
Realized/Unrealized gain on interest-rate swap	22,859	-	22,859	9,395
Forgiveness of PPP Loan	2,119,727	-	2,119,727	-
Miscellaneous revenue	99,950	-	99,950	23,946
Total Revenue and Gains	3,609,016	564,173	4,173,189	1,387,356
Board redesignation of funds	(1,505,129)	1,505,129	-	-
Net assets released from restriction	67,048	(67,048)	-	-
Total Support, Revenue and Gains	28,046,916	2,262,492	30,309,408	25,713,839
Expenses:				
Program Services:				
Adoption services	297,448	-	297,448	371,739
Counseling services	1,517,499	-	1,517,499	1,640,261
Residential treatment	1,326,966	-	1,326,966	1,399,845
Services for developmentally disabled	15,249,285	-	15,249,285	14,460,867
Community services	256,558	-	256,558	219,216
Addiction prevention	2,410,890	-	2,410,890	2,172,014
Total Program Services	21,058,646	-	21,058,646	20,263,942
Supporting Services:				
Management and general	3,260,041	-	3,260,041	2,558,083
Fundraising	513,589	-	513,589	540,553
Total Supporting Services	3,773,630	-	3,773,630	3,098,636
Total Expenses	24,832,276	-	24,832,276	23,362,578
Changes in Net Assets	3,214,640	2,262,492	5,477,132	2,351,261
Net Assets, Beginning of year	7,285,175	3,516,298	10,801,473	8,450,212
Net Assets, End of year	\$ 10,499,815	\$ 5,778,790	\$ 16,278,605	\$ 10,801,473

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

	Year Ended December 31,	
	2021	2020
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 5,477,132	\$ 2,351,261
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	631,532	601,392
Bad debt	4,183	-
Net unrealized gain on investments	(776,416)	(484,279)
Net realized gain on investments	(1,824)	(135,872)
Net realized/unrealized gain on interest-rate swap	(22,859)	(9,395)
Net realized loss on sale of fixed assets	-	159,265
Noncash securities donation	-	(6,539)
Noncash interest expense (amortization)	12,899	12,899
Forgiveness of PPP Loan	(2,119,727)	-
Forgiveness of debt	(65,414)	(23,947)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(575,116)	155,925
Contributions receivable	101,844	1,803
Fees receivable	8,120	(10,910)
Prepaid expenses and other assets	(138,084)	64,471
Accounts payable	(320,924)	394,856
Accrued expenses	817,578	537,792
Due to government agencies	474,985	166,445
Due to Zoe's Place	(267)	(3,193)
Deferred rent	(13,989)	(5,780)
Deferred income	265,118	2,119,727
Net Cash Provided By Operating Activities	<u>3,758,771</u>	<u>5,885,921</u>
<u>INVESTING ACTIVITIES:</u>		
Purchases of fixed assets	(2,209,973)	(1,952,539)
Proceeds from insurance due to loss of fixed assets	122,868	-
Proceeds from sale of investments	8,362	499,618
Purchases of investments	(565,348)	(903,423)
Net Cash Used for Investing Activities	<u>(2,644,091)</u>	<u>(2,356,344)</u>
<u>FINANCING ACTIVITIES:</u>		
Repayment of mortgages	(282,758)	(296,417)
Proceeds from mortgages	1,645,105	1,163,155
Repayment of lease obligation	-	(5,064)
Borrowings from line of credit	1,720,883	665,797
Repayment of line of credit	(1,720,883)	(2,977,766)
Net Cash Provided By (Used for) Financing Activities	<u>1,362,347</u>	<u>(1,450,295)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,477,027	2,079,282
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>3,585,721</u>	<u>1,506,439</u>
End of year	<u>\$ 6,062,748</u>	<u>\$ 3,585,721</u>

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

	Year Ended December 31,	
	2021	2020
SUPPLEMENTAL DATA:		
Interest paid	\$ 132,734	\$ 197,434
NONCASH INVESTING ACTIVITIES:		
Securities donation	\$ -	\$ 6,539

CHILDREN'S AID AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	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	\$ 184,353	\$ 980,137	\$ 596,877	\$ 9,707,942	\$ 50,753	\$ 1,448,832	\$ 12,968,894	\$ 1,887,234	\$ 320,831	\$ 2,208,065	\$ 15,176,959
Payroll taxes and employee benefits	42,436	225,280	136,963	2,233,568	11,646	334,106	2,983,999	433,200	73,976	507,176	3,491,175
Total Salaries and Related Expenses	226,789	1,205,417	733,840	11,941,510	62,399	1,782,938	15,952,893	2,320,434	394,807	2,715,241	18,668,134
Professional fees	3,800	22,315	17,732	374,521	31,531	23,833	473,732	341,405	7,377	348,782	822,514
Supplies	4,060	14,823	12,154	62,993	1,240	15,223	110,493	24,661	6,874	31,535	142,028
Telephone	9,203	27,211	25,056	168,914	469	25,936	256,789	20,234	6,748	26,982	283,771
Postage and shipping	890	3,279	1,257	4,634	52	1,887	11,999	3,750	1,325	5,075	17,074
Occupancy	32,146	170,831	80,714	628,195	1,583	170,493	1,083,962	40,083	17,262	57,345	1,141,307
Outside printing and promotion	6,927	6,565	2,869	25,172	271	1,599	43,403	16,210	5,594	21,804	65,207
Local travel and related expenses	4,836	7,451	19,095	250,936	-	9,557	291,875	7,409	140	7,549	299,424
Conferences, conventions and major trips	113	1,891	1,571	11,577	-	16,040	31,192	389	314	703	31,895
Specific assistance to/for individuals	2,495	8,861	318,480	134,692	15,968	318,623	799,119	45,812	20,039	65,851	864,970
Repairs	1,980	2,177	16,881	533,470	1,031	3,338	558,877	26,770	19,600	46,370	605,247
Insurance	2,263	18,218	28,994	325,766	6,195	33,835	415,271	22,747	13,924	36,671	451,942
Membership dues	983	2,707	4,735	1,860	263	-	10,548	8,291	6,728	15,019	25,567
Food	284	9,980	38,496	437,929	130,297	4,776	621,762	2,482	875	3,357	625,119
Depreciation and amortization	679	15,773	25,092	291,231	5,259	2,812	340,846	290,510	176	290,686	631,532
Interest, credit card fees and other	-	-	-	51,702	-	-	51,702	88,854	11,806	100,660	152,362
Bad debts	-	-	-	4,183	-	-	4,183	-	-	-	4,183
	\$ 297,448	\$ 1,517,499	\$ 1,326,966	\$ 15,249,285	\$ 256,558	\$ 2,410,890	\$ 21,058,646	\$ 3,260,041	\$ 513,589	\$ 3,773,630	\$ 24,832,276

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	Services for 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.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 3 million people living in northern New Jersey, working toward 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 reported as follows:

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020, an allowance was not deemed necessary.

Fees Receivable:

Fees receivables 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, 2021 and 2020.

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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 and 2020, was \$427,762 and \$421,401, 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 were deferred until the underlying hedged instrument was settled and were recorded in unrealized gains/losses as of December 31, 2020. The interest-rate swap agreement matured in 2021 and the associated gains are recognized as realized gains 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.

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, 2021 and 2020, an allowance was not deemed necessary.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Revenue Recognition:

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 is recognized based on agreed-upon daily rates. There are no significant financing components or variable considerations provided to clients.

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 is 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 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 2021 and 2020. At December 31, 2021 and 2020, 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, 2021 and 2020, respectively.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Recent Accounting Pronouncements:

The Financial Accounting Standards Board ("FASB") issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach or a cumulative-effect adjustment transition approach may be used, and the new standard is applied to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its 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.

In July 2020, the Financial Accounting Standards Board issued an accounting standard update ("ASU"), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU requires organizations to present contributed nonfinancial assets as a separate line item in the statements of activities and changes in net assets apart from contributions of cash or other financial assets. Additional disclosure is required regarding the valuation techniques used, as well as any donor restrictions for the contributed nonfinancial assets. The standard is effective for annual periods beginning after June 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, 2020, 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, 2021, through October 27, 2022, the date that the financial statements were available to be issued.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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,	
	2021	2020
State of New Jersey Department of Children and Families	\$ 296,030	\$ 71,191
State of New Jersey Division of Developmental Disabilities	160,260	64,717
County Contributions and Grants	307,147	129,291
Medicaid	890,948	763,898
U.S. Department of Health and Human Services	98,246	42,854
State of New Jersey Division of Mental Health and Addiction Services	495,927	525,646
Other	41,753	117,598
Total Grants and Contracts Receivable	<u>\$ 2,290,311</u>	<u>\$ 1,715,195</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

Assets and liabilities at fair value:

FAIR VALUE MEASUREMENTS				
AS OF DECEMBER 31, 2021				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Assets at fair value:				
Equity securities	\$ 5,224	\$ -	\$ -	\$ 5,224
Equity mutual funds	5,279,134	-	-	5,279,134
Fixed income - bonds	-	815,744	-	815,744
Certificates of deposit	-	112,414	-	112,414
Total assets at fair value	<u>\$ 5,284,358</u>	<u>\$ 928,158</u>	<u>\$ -</u>	<u>\$ 6,212,516</u>

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	<u>3,947,444</u>	<u>929,846</u>	<u>-</u>	<u>4,877,290</u>
Liabilities at fair value:				
Interest-rate swap	-	(22,859)	-	(22,859)
Total Assets and Liabilities at Fair Value	<u>\$ 3,947,444</u>	<u>\$ 906,987</u>	<u>\$ -</u>	<u>\$ 4,854,431</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Interest and dividend income	\$ 74,003	\$ 104,166	\$ 178,169
Net unrealized gain on investments	316,409	460,007	776,416
Net realized gain on investments	1,824	-	1,824
	<u>\$ 392,236</u>	<u>\$ 564,173</u>	<u>\$ 956,409</u>

	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>

NOTE 6 - FIXED ASSETS:

Fixed assets consist of the following:

	December 31,	
	2021	2020
Land	\$ 3,259,622	\$ 2,876,984
Building & Improvements	13,937,450	13,296,253
Furniture & Equipment	1,085,429	983,071
Leasehold Improvements	53,978	30,829
Autos	255,892	304,667
Construction in progress	1,070,985	189,251
Software	229,164	229,164
Total Fixed Assets	19,892,520	17,910,219
Less: accumulated depreciation	(9,007,888)	(8,481,160)
Fixed Assets, Net	<u>\$ 10,884,632</u>	<u>\$ 9,429,059</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 - DUE TO GOVERNMENT AGENCIES:

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

	December 31,	
	2021	2020
New Jersey Division of Developmental Disabilities	\$ 20,564	\$ 20,564
New Jersey Division of Addiction Services	618,452	364,255
New Jersey Division of Child Protection and Permanency	221,941	1,153
Total Due to the State of New Jersey	<u>\$ 860,957</u>	<u>\$ 385,972</u>

NOTE 8 - LINE OF CREDIT:

The Organization has a \$3,500,000 line of credit with a bank with interest at 4.75%, with a minimum floor of 4%. The line was renewed on October 31, 2021, with a new maturity date of January 29, 2023. The line is secured by the assets of the Organization. There was no balance outstanding on the line at December 31, 2021 and 2020, respectfully.

NOTE 9 - 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.

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 was \$60,000 due to the plan from the Organization as of December 31, 2020, which was included in accrued expenses on the statement of financial position. As of December 31, 2021, the Organization is still in the process of working with the provider to correct the error, and the balance due to the plan has increased to \$118,328 and is included in accrued expenses at December 31, 2021.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 - MORTGAGES PAYABLE:

The following is a schedule of mortgages payable:

	December 31,	
	2021	2020
Mortgage payable to NJEDA reported gross of unamortized debt issuance costs of \$40,421 and \$51,433, respectively, at December 31, 2021 and 2020. 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 on December 31, 2021, is 2.6%. The mortgage is secured by the land and building located at 200 Robin Road, Paramus, New Jersey, with a net book value approximating \$1,511,000.	\$ 1,059,696	\$ 1,140,939
Mortgage payable to NJEDA reported gross of unamortized debt issuance costs of \$31,512 and \$33,401, respectively, at December 31, 2021 and 2020. 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 on December 31, 2021, is 2.6%. The mortgage is secured by the land and building located at 200 Robin Road, Paramus, New Jersey, with a net book value approximating \$1,511,000.	355,977	489,894
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 \$333,000.	148,852	163,796
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 principal 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 \$620,000.	414,997	380,468

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 - MORTGAGES PAYABLE: (Continued)

	December 31,	
	2021	2020
<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 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 toward 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 \$620,000.</p>	114,000	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 principal 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 \$758,000, 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. 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 principal 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 \$511,000, 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, 2021 AND 2020

NOTE 10 - MORTGAGES PAYABLE: (Continued)

	December 31,	
	2021	2020
<p>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 toward 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 \$758,000.</p>	187,500	200,000
<p>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 toward 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 \$511,000.</p>	171,701	183,148
<p>Mortgage payable to NJHMFA. The original amount of the mortgage is \$338,823. As of December 31, 2021, NJHMFA had disbursed \$292,400. The balance of the loan will be disbursed during 2022. 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 principal and interest will be deferred until maturity. The interest rate is 0%. The mortgage is secured by the land and building located at 161 Pleasant Valley Way, West Orange, New Jersey, with a net book value approximating \$1,104,000.</p>	292,400	132,605

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 - MORTGAGES PAYABLE: (Continued)

	December 31,	
	2021	2020
<p>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 \$1,273,000.</p>	984,536	1,024,291
<p>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 toward 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.</p>	5,947	6,260
<p>Mortgage payable to NJHMFA. The original amount of the mortgage is \$466,813. As of December 31, 2021, NJHMFA had disbursed \$402,848. The balance of the loan will be disbursed during 2022. The mortgage is for 31 years, maturing on February 1, 2052. 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 principal and interest will be deferred until maturity. The interest rate is 0%. The mortgage is secured by the land and building located at 32 Vail Place, Mahwah, New Jersey, with a net book value approximating \$432,000.</p>	402,848	-

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 - MORTGAGES PAYABLE: (Continued)

	December 31,	
	2021	2020
<p>Mortgage payable to NJHMFA. The original amount of the mortgage is \$390,199. As of December 31, 2021, NJHMFA had disbursed \$187,048. The balance of the loan will be disbursed during 2022. The mortgage is for 30 years, maturing on February 1, 2051. 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 principal and interest will be deferred until maturity. The interest rate is 0%. The mortgage is secured by the land and building located at 651 Paramus Road, Paramus, New Jersey, with a net book value approximating \$207,000.</p>	187,048	-
<p>Mortgage payable to NJHMFA. The original amount of the mortgage is \$500,000. As of December 31, 2021, NJHMFA had disbursed \$335,390. The balance of the loan will be disbursed during 2022. The mortgage is for 31 years, maturing on January 1, 2052. 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 principal and interest will be deferred until maturity. The interest rate is 0%. The mortgage is secured by the land and building located at 22 Locust Avenue, Wanaque, New Jersey, with a net book value approximating \$319,000.</p>	335,390	-
<p>Mortgage payable to NJHMFA. The original amount of the mortgage is \$559,808. As of December 31, 2021, NJHMFA had disbursed \$281,759. The balance of the loan will be disbursed during 2022. The mortgage is for 31 years, maturing on January 1, 2052. 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 principal and interest will be deferred until maturity. The interest rate is 0%. The mortgage is secured by the land and building located at 320 Shepard Avenue, Englewood, New Jersey, with a net book value approximating \$272,000.</p>	281,759	-

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 - MORTGAGES PAYABLE: (Continued)

Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is \$118,545. The mortgage is for 20 years, maturing on December 18, 2041. 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 toward satisfaction of this obligation to the Department. The mortgage is secured by the land and building located at 993 Route 23 South, Wayne, New Jersey. The property is not owned but is occupied by Children's Aid and Family Services.

118,545 -

Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is \$26,715. The mortgage is for 20 years, maturing on April 26, 2041. 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 toward satisfaction of this obligation to the Department. The mortgage is secured by the land and building located at 161 Pleasant Valley Way, West Orange, New Jersey, with a net book value approximating \$1,104,000.

26,715 -

Mortgage payable to Essex County, New Jersey. The original amount of the mortgage is \$100,000. The mortgage is for 15 years, maturing on November 16, 2035. The Organization must maintain this facility as an approved facility for Department clients for a period of 15 years. The interest rate is 0% and the loan does not amortize. The mortgage is secured by the land and building located at 161 Pleasant Valley Way, West Orange, New Jersey, with a net book value approximating \$1,104,000.

98,476 -

Mortgages payable \$6,044,101 \$4,699,115

Amortization of debt issuance costs of \$12,899 for each of the two years ended December 31, 2021 and 2020, 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, 2021 AND 2020

NOTE 10 - MORTGAGES PAYABLE: (Continued)

Future principal payments are as follows:

<u>Year Ending December 31,</u>		
2022	\$	313,792
2023		305,718
2024		252,896
2025		171,144
2026		177,472
Thereafter		4,270,603
Forgivable mortgages		624,409
Total Mortgages Payable		<u>6,116,034</u>
Less: Unamortized debt issuance costs		<u>(71,933)</u>
Mortgages Payable, net unamortized debt issuance costs	\$	<u>6,044,101</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. During 2021 and 2020, 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 \$387,489 and \$1,100,117 floating-rate notes, due in August 2024 and 2031, respectively, to a fixed percentage. The interest-rate swap agreement matured on July 26, 2021, and was not renewed. 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.

NOTE 12 - NOTES PAYABLE, WAYS TO WORK FAMILY 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 were required to be placed into separate bank accounts. As of December 31, 2021, the Organization had repaid \$110,000 of these loans.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

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 fell into default, the bank reserved the right to offset the loan against the funds in the separate account. Upon offset, the bank would 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 were due and were included in Notes Payable, Ways to Work, Inc. Family Loan Program.

As of December 31, 2021, the Organization wrote off the debt balance of \$35,154 related to the Ways to Work contracts, after consultation with legal counsel.

NOTE 13 - 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 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 elected not to renew the loan. As of December 31, 2016, the note was not renewed. As of December 31, 2020, the loan had been paid back.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions comprise the following:

	December 31,	
	2021	2020
Time and purpose restrictions:		
Adoption Services:		
For use in future periods to offset expenses		
General Program Expenses	\$ 125,716	\$ 111,769
Day Care:		
For use in future periods to offset expenses		
General Program Expenses	90,403	80,374
Residential Treatment:		
For use in future periods to offset expenses		
General Program Expenses	392,495	374,719
Community Services - garden	20,000	-
Day Habilitation renovations	71,250	-
Income on permanently restricted net assets	3,080,041	1,010,739
Total time and purpose restrictions	<u>3,779,905</u>	<u>1,577,601</u>
Restricted in Perpetuity:		
Investment in perpetuity, the income from which is expendable to support designated activities of the Organization	187,938	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	1,414,526	1,369,425
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>1,998,885</u>	<u>1,938,697</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,778,790</u>	<u>\$ 3,516,298</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

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

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. During 2021, the Board decided to return previously restricted income in the amount of \$1,505,129 that was appropriated for expenditure in prior years to the endowment, in order to grow the endowment fund.

Endowment net asset composition by type of fund is as follows on December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 5,078,926	\$ 5,078,926

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

Changes in endowment net assets for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of year	\$ -	\$ 2,949,436	\$ 2,949,436
Investment return:			
Investment income	-	104,166	104,166
Net realized and unrealized gain on investments	-	460,007	460,007
Total Investment Return	-	564,173	564,173
Contributions	-	60,188	60,188
Reclass of net assets	-	1,505,129	1,505,129
Endowment Net Assets, End of year	\$ -	\$ 5,078,926	\$ 5,078,926

Endowment net asset composition by type of fund is as follows on December 31, 2020:

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

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

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

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, 2021 and 2020, amounted to \$504,173 and \$581,566, respectively, and is included in occupancy on the statements of functional expenses.

Minimum annual rentals are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 253,140
2023	258,276
2024	263,412
2025	67,137
	<u>\$ 841,965</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.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 15 - 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 center for a total of \$1,469,930.

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 \$242,624 as of December 31, 2021.

The details of the contingencies are as follows:

Group Home	Capital Funding	Funding Liability
West Orange	\$ 4,680	\$ 2,457
Park Ridge	444,709	145,302
Ridgewood	185,573	18,557
Woodlea	252,462	35,059
Paramus	271,358	15,079
Bogota	451,148	26,170
	<u>\$ 1,609,930</u>	<u>\$ 242,624</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.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 15 - COMMITMENTS AND CONTINGENCIES: (Continued)

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.

NOTE 16 - SIGNIFICANT SOURCE OF SUPPORT:

The Organization received approximately 80% and 85%, respectively, of its total support for the years ended December 31, 2021 and 2020, from government agencies, including Medicaid.

Approximately 95% of the Organization's total grants and contracts receivable for the years ended December 31, 2021 and 2020, is due from government agencies, including Medicaid.

Approximately 100% of the Organization's total contributions receivable for the years ended December 31, 2021 and 2020, is due from two donors.

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,	
	2021	2020
Fundraising events, revenue	\$ 447,906	\$ 395,427
Fundraising events, expense	(108,014)	(99,758)
Fundraising events, net	\$ 339,892	\$ 295,669

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, 2021 AND 2020

NOTE 19 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following represents the Organization's financial assets at December 31, 2021 and 2020, 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,	
	2021	2020
Cash and cash equivalents	\$ 6,062,748	\$ 3,585,721
Accounts receivable	2,386,600	1,925,631
Investments	6,212,516	4,877,290
Total financial assets	<u>14,661,864</u>	<u>10,388,642</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(5,778,790)</u>	<u>(3,516,298)</u>
Financial assets available to meet general expenditure over the next 12 months	<u>\$ 8,883,074</u>	<u>\$ 6,872,344</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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. The Organization recorded the \$2,119,727 received as a conditional government grant and recognized revenue when the Organization satisfied the conditions set forth by the U.S. Small Business Administration ("SBA"). The Organization received full forgiveness from the Small Business Administration in July 2021. The SBA reserves the right to audit loan forgiveness for six years from the date the forgiveness was awarded.

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021 AND 2020

NOTE 21 - RISKS AND UNCERTAINTIES:

The Organization is actively monitoring the recent COVID-19 outbreak and its potential impact on its employees, volunteers, donors, consumers, and operations. While it does not expect that the virus will have a material adverse effect on its operations or financial results at this time, it is 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, 2021

Grant or Program Title	Original Contract Period	Federal CFDA Number	Grant Number	Program Award Amount	Disbursements/Expenditures
Federal Programs					
<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	1/1/21 - 12/31/21	93.959	21-754-ADA-0	\$ 202,000	\$ 149,228
Illegal Substances	1/1/21 - 12/31/21	93.959	21-754-ADA-0	125,872	100,965
Bergen County Underage Drinking	1/1/21 - 12/31/21	93.959	21-754-ADA-0	148,583	142,023
Passaic County Underage Drinking	1/1/21 - 12/31/21	93.959	21-754-ADA-0	100,000	90,209
Prescription Drug Abuse Prevention	1/1/21 - 12/31/21	93.959	21-754-ADA-0	121,101	105,267
Opioid Overdose Recovery Program	10/1/20 - 9/30/21	93.959	21-804-ADA-0	255,750	183,025
Opioid Overdose Recovery Program	10/1/21 - 9/30/22	93.959	22-804-ADA-0	255,750	76,609
Opioid Overdose Recovery Expansion Program	10/1/20 - 9/30/21	93.959	21-804-ADA-0	135,000	123,993
Opioid Overdose Recovery Expansion Program	10/1/21 - 9/30/22	93.959	22-804-ADA-0	135,000	3,459
Support Team for Addiction Recovery (STAR) Program	10/1/20 - 9/30/21	93.959	21-804-ADA-0	350,000	298,068
Support Team for Addiction Recovery (STAR) Program	10/1/21 - 9/30/22	93.959	22-804-ADA-0	350,000	18,384
Support Team for Addiction Recovery (STAR) Expansion Program	10/1/20 - 9/30/21	93.959	21-804-ADA-0	175,000	43,459
Support Team for Addiction Recovery (STAR) Expansion Program	10/1/21 - 9/30/22	93.959	22-804-ADA-0	175,000	51,739
Alternate Approaches to Pain Management in Older Adults-Bergen County	10/1/20 - 9/30/21	93.959	21-804-ADA-0	75,000	71,241
Alternate Approaches to Pain Management in Older Adults-Bergen County	10/1/21 - 9/30/22	93.959	22-804-ADA-0	75,000	9,578
Alternate Approaches to Pain Management in Older Adults-Passaic County	10/1/20 - 9/30/21	93.959	21-804-ADA-0	75,000	16,972
Alternate Approaches to Pain Management in Older Adults-Passaic County	10/1/21 - 9/30/22	93.959	22-804-ADA-0	75,000	11,817
Strategic Prevention Framework Partnerships for Success	10/1/20 - 9/30/21	93.959	21-804-ADA-0	70,500	44,490
Strategic Prevention Framework Partnerships for Success	10/1/21 - 9/30/22	93.959	22-804-ADA-0	70,500	18,562
Government Performance Result Act (GPRA)	10/1/20 - 9/30/21	93.959	21-804-ADA-0	31,350	14,490
Government Performance Result Act (GPRA)	10/1/21 - 9/30/22	93.959	22-804-ADA-0	31,350	7,378
Opioid Abuse in Sport-Related Injuries	9/1/20 - 8/31/21	93.959	21-885-ADA-0	12,540	9,740
Opioid Abuse in Sport-Related Injuries	10/1/21 - 9/30/22	93.959	22-885-ADA-0	13,049	11,886
				<u>3,058,345</u>	<u>1,602,582</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

Grant or Program Title	Original Contract Period	Federal CFDA Number	Grant Number	Program Award Amount	Disbursements/ Expenditures
<u>Federal Programs</u>					
<u>Department of Health and Human Services,</u> <u>Center for Disease Control and Prevention</u> Drug-free Communities Support	10/1/18 - 9/29/23	93.276	2H79SPO80858-08	625,000	119,365
<u>U.S. Department of Justice</u> Passed through the New Jersey Department of Law and Public Safety, Bergen County Prosecutor's Office Comprehensive Opioid, Stimulant and Substance Abuse Site-Based Program	10/1/20 - 9/30/23	16.838	2020-AR-BX-0120	1,200,000	170,445
<u>U.S. Department of Housing and Urban Development</u> Passed through the New Jersey Department of Human Services 200 Robin Road Parking Lot Paving STRIVE Job Readiness and Prevocational Support	7/1/20 - 6/30/21 7/1/20 - 6/30/21	14.228 14.228	CW-CAFS-08-20 PSCAFSSTRIVE20	82,704 43,774 126,478	82,704 43,774 126,478
Total Federal Awards				\$ 5,009,823	\$ 2,018,870

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2021

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	\$ 440,715
Child Welfare Services	6/30/21 - 6/30/22	22CDBN	1,238,746	798,020
Child Welfare Services	5/1/20 - 6/30/22	21PLBP	410,584	275,001
<u>New Jersey Department of Human Services</u>				
Division of Mental Health and Addiction Services				
Passed through the Bergen County Sheriff's Department				
Medication Assisted Treatment Grant	1/1/20 - 6/30/21	20-914-ADA	249,331	53,706
Medication Assisted Treatment Grant	7/1/21 - 6/30/22	22-914-ADA	249,331	54,203
Passed through New Jersey Department of Law and Public Safety				
Bergen County Prosecutor's Office				
Operation Helping Hand	9/1/21 - 8/31/22	SFY-OHH-2-2021	90,476	68,889
Bergen County Department of Human Services				
Life Skills Training and EPIC (Youth Services Commission)	1/1/21 - 12/31/21	CAFS-S21	<u>107,992</u>	<u>106,592</u>
Total State Awards			<u>\$ 5,094,989</u>	<u>\$ 1,797,126</u>

CHILDREN'S AID AND FAMILY SERVICES, INC.
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE
AWARDS
YEAR ENDED DECEMBER 31, 2021

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, 2021, the Organization did not provide any funds relating to its 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, 2021, 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, 2021, 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 October 27, 2022.

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
October 27, 2022

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 Program

Opinion on Each Major 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, 2021. The Organization's major programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and NJOMB Circular Letter 15-08. Our responsibilities under those standards and the Uniform Guidance and NJOMB Circular Letter 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and NJOMB Circular Letter 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and NJOMB Circular Letter 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB Circular Letter 15-08, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Livingston, New Jersey
October 27, 2022

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

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

Noncompliance material to financial statements noted? Yes No

Federal and State Awards

Internal control over major programs:

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

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021

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
CDBN	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? X Yes No

II. Financial Statement Finding

NONE

III. Compliance Finding

NONE

IV. Follow-up of Prior-year Audit Findings

NONE