CHILDREN'S AID AND FAMILY SERVICES, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022 AND 2021

CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

CHILDREN'S AID AND FAMILY SERVICES, INC.

DECEMBER 31, 2022 AND 2021

CONTENTS

INDEPENDENT AUDITORS' REPORT

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, 2022, 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, 2022, 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 opinion.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2022 the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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.

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See CLAglobal.com/disclaimer.

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 2, 2023, 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

The financial statements of Children's Aid and Family Services, Inc. as of December 31, 2021, were audited by Sobel & Co., LLC whose shareholders and professional staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations. Sobel & Co., LLC's report dated October 27, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized, comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
October 2, 2023

CHILDREN'S AID AND FAMILY SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	$ 4,559,685	$ 6,062,748
Grants and contracts receivable	2,605,467	2,290,311
Contributions receivable	158,900	83,710
Fees receivable	16,831	12,579
Prepaid expenses and other assets	501,402	459,931
Investments	6,244,070	6,212,516
Financing right to use assets, net of accumulated amortization	180,499	-
Operating right to use assets, net of accumulated amortization	1,763,938	-
Fixed assets, net	12,269,512	10,884,632
	$ 28,300,304	$ 26,006,427
LIABILITIES AND NET ASSETS		
Accounts payable	$ 508,548	$ 481,480
Accrued expenses	1,273,760	2,004,852
Due to government agencies	1,088,897	860,957
Financing lease liabilities	178,959	-
Operating lease liabilities	1,821,515	-
Deferred income	409,792	265,118
Deferred rent	-	71,314
Mortgage payable, net	6,896,623	6,044,101
Total Liabilities	12,178,094	9,727,822
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	11,262,073	10,499,815
With donor restrictions	4,860,137	5,778,790
Total Net Assets	16,122,210	16,278,605
	$ 28,300,304	$ 26,006,427

CHILDREN'S AID AND FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2022
(With Summarized, Comparative Totals for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Support:				
Private Support:				
Contributions	$ 1,213,504	$ -	$ 1,213,504	$ 1,175,286
Contributed nonfinancial assets	504,261	-	504,261	427,762
Fundraising, net	291,009	57,175	348,184	339,892
Total Private Support	2,008,774	57,175	2,065,949	1,942,940
Government Support:				
Federal and state	24,440,555	-	24,440,555	24,193,279
Revenue and Gains:				
Program fees and dues	970,627	-	970,627	908,057
Counseling fees	2,600	-	2,600	4,000
Interest and dividend income	41,687	56,121	97,808	178,169
Net unrealized (loss) gain on investments	(571,940)	(850,877)	(1,422,817)	776,416
Net realized gain on investments	19,520	26,504	46,024	1,824
Gain on disposal of assets	-	-	-	62,187
Realized/Unrealized gain on interest-rate swap	-	-	-	22,859
Forgiveness of PPP Loan	-	-	-	2,119,727
Miscellaneous revenue	86,191	-	86,191	99,950
Total Revenue and Gains	548,685	(768,252)	(219,567)	4,173,189
Net assets released from restriction	207,576	(207,576)	-	-
Total Support, Revenue and Gains	27,205,590	(918,653)	26,286,937	30,309,408
Expenses:				
Program Services:				
Adoption services	267,607	-	267,607	297,448
Counseling services	1,475,433	-	1,475,433	1,517,499
Residential treatment	1,029,314	-	1,029,314	1,326,966
Services for developmentally disabled	16,716,170	-	16,716,170	15,249,285
Community services	219,004	-	219,004	256,558
Addiction prevention	2,545,285	-	2,545,285	2,410,890
Total Program Services	22,252,813	-	22,252,813	21,058,646
Supporting Services:				
Management and general	3,327,656	-	3,327,656	3,260,041
Fundraising	862,863	-	862,863	513,589
Total Supporting Services	4,190,519	-	4,190,519	3,773,630
Total Expenses	26,443,332	-	26,443,332	24,832,276
Changes in Net Assets	762,258	(918,653)	(156,395)	5,477,132
Net Assets, Beginning of year	10,499,815	5,778,790	16,278,605	10,801,473
Net Assets, End of year	$ 11,262,073	$ 4,860,137	$ 16,122,210	$ 16,278,605

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

CASH FLOWS PROVIDED BY (USED FOR):	Year Ended December 31, 2022	2021
OPERATING ACTIVITIES:		
Changes in net assets	$ (156,395)	$ 5,477,132
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	707,932	631,532
Bad debt	-	4,183
Net unrealized loss (gain) on investments	1,422,817	(776,416)
Net realized gain on investments	(46,024)	(1,824)
Net realized/unrealized gain on interest-rate swap	-	(22,859)
Noncash lease expense	57,577	-
Amortization of financing right to use assets	34,497	-
Noncash interest expense (amortization)	12,899	12,899
Forgiveness of PPP Loan	-	(2,119,727)
Forgiveness of debt	(32,043)	(65,414)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(315,156)	(575,116)
Contributions receivable	(75,190)	101,844
Fees receivable	(4,252)	8,120
Prepaid expenses and other assets	(41,471)	(138,084)
Accounts payable	27,068	(320,924)
Accrued expenses	(731,092)	817,578
Due to government agencies	227,940	474,985
Due to Zoe's Place	-	(267)
Deferred rent	(71,314)	(13,989)
Deferred income	144,674	265,118
Net Cash Provided By Operating Activities	1,162,467	3,758,771
INVESTING ACTIVITIES:		
Purchases of fixed assets	(2,092,812)	(2,209,973)
Proceeds from insurance due to loss of fixed assets	-	122,868
Proceeds from sale of investments	562,759	8,362
Purchases of investments	(1,971,106)	(565,348)
Net Cash Used for Investing Activities	(3,501,159)	(2,644,091)
FINANCING ACTIVITIES:		
Repayment of mortgages	(296,009)	(282,758)
Proceeds from mortgages	1,167,675	1,645,105
Borrowings from line of credit	-	1,720,883
Repayment of line of credit	-	(1,720,883)
Payments on finance leases	(36,037)	-
Net Cash Provided By Financing Activities	835,629	1,362,347

	Year Ended December 31, 2022	2021
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,503,063)	2,477,027
CASH AND CASH EQUIVALENTS:		
Beginning of year	6,062,748	3,585,721
End of year	$ 4,559,685	$ 6,062,748
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Interest paid	$ 82,362	$ 132,734
Equipment received in exchange for finance leases	$ 208,320	$ -

CHILDREN'S AID AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(With Summarized, Comparative Totals for the Year Ended December 31, 2021)

	Program Services							Supporting Services			2022 Total Program and Supporting Services	2021 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	$ 170,692	$ 911,966	$ 444,127	$ 10,657,790	$ 38,582	$ 1,507,674	$ 13,730,831	$ 2,041,900	$ 320,351	$ 2,362,251	$ 16,093,082	$ 15,176,959
Payroll taxes and employee benefits	39,896	210,790	102,486	2,467,108	8,890	352,079	3,181,249	469,142	73,828	542,970	3,724,219	3,491,175
Total Salaries and Related Expenses	210,588	1,122,756	546,613	13,124,898	47,472	1,859,753	16,912,080	2,511,042	394,179	2,905,221	19,817,301	18,668,134
Professional fees	251	83,505	42,164	742,749	33,814	8,033	910,516	204,805	7,006	211,811	1,122,327	822,514
Supplies	352	2,635	4,013	38,962	289	10,278	56,529	27,756	7,022	34,778	91,307	142,028
Telephone	6,732	26,860	12,962	189,309	2,503	34,953	273,319	19,046	7,886	26,932	300,251	283,771
Postage and shipping	730	1,534	234	4,635	315	565	8,013	1,469	2,233	3,702	11,715	17,074
Occupancy	31,473	163,813	49,337	527,022	8,330	210,633	990,608	46,423	29,819	76,242	1,066,850	1,141,307
Outside printing and promotion	2,475	5,886	1,325	30,844	188	4,125	44,843	23,213	9,287	32,500	77,343	65,207
Local travel and related expenses	3,162	13,323	13,920	370,629	1,031	21,702	423,767	19,396	211	19,607	443,374	299,424
Conferences, conventions and major trips	471	899	2,200	10,495	6	27,327	41,398	1,750	450	2,200	43,598	31,895
Specific assistance to/for individuals	3,308	3,766	309,403	76,195	474	117,971	511,117	59,194	16,779	75,973	587,090	864,970
Repairs	1,970	3,783	1,443	424,130	4,809	3,077	439,212	20,167	42,430	62,597	501,809	605,247
Insurance	4,658	21,977	20,918	331,209	5,797	35,886	420,445	11,785	16,455	28,240	448,685	451,942
Membership dues	1,030	3,697	3,855	600	-	411	9,593	27,038	14,759	41,797	51,390	25,567
Food	217	1,821	2,089	441,458	47,925	41,053	534,563	11,595	17,485	29,080	563,643	625,119
Depreciation and amortization	190	19,178	18,838	356,205	5,332	8,133	407,876	300,056	-	300,056	707,932	631,532
Interest, credit card fees and other	-	-	-	46,830	-	-	46,830	42,921	14,705	57,626	104,456	152,362
Bad debts	-	-	-	-	-	-	-	-	-	-	-	4,183
Gift-in-kind	-	-	-	-	60,719	161,385	222,104	-	282,157	282,157	504,261	-
	$ 267,607	$ 1,475,433	$ 1,029,314	$ 16,716,170	$ 219,004	$ 2,545,285	$ 22,252,813	$ 3,327,656	$ 862,863	$ 4,190,519	$ 26,443,332	$ 24,832,276

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:

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, 2022 and 2021, 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, 2022 and 2021.

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.

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.

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.

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 statement 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 Organization adopted this ASU on January 1, 2022.

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.

Leases:
The Organization leases program space, copy machines, vehicles, and residential properties. The Organization determines if an arrangement is a lease at inception. Operating and finance leases are included in operating right-of-use (ROU) assets and financing and operating lease liabilities on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The lease contracts do not provide information about the discount rate implicit in the leases. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease terms for computing the present value of all lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

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

Leases: (Continued)
In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

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 were recognized as realized gains in 2021.

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, 2022 and 2021, an allowance was not deemed necessary.

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 2022 and 2021. At December 31, 2022 and 2021, 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, 2022 and 2021, respectively.

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

Adoption of New Accounting Standards:
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has not elected to adopt the available practical expedients to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, a lease liability of $2,621,329 adjusted for prepaid rent of $56,037, which represents the present value of the remaining operating lease obligations of $2,000,474, discounted using the Organization's risk-free discount rate comparable to corresponding lease terms and a right-of-use asset of $1,944,437.

The standard had a material impact on the statement of financial position but did not have a material impact on the statement of activities and changes in net assets, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

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.

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

Comparative Financial Information:
The financial statements include certain prior year, summarized, comparative information in total but not by net asset class and functional area. 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, 2021, 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, 2022, through October 2, 2023, the date that the financial statements were available to be issued.

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,	
	2022	**2021**
State of New Jersey Department of Children and Families	$ 34,846	$ 296,030
State of New Jersey Division of Developmental Disabilities	93,728	160,260
County Contributions and Grants	9,621	307,147
Medicaid	1,087,922	890,948
U.S. Department of Health and Human Services	-	98,246
State of New Jersey Division of Mental Health and Addiction Services	1,357,456	495,927
Other	21,894	41,753
Total Grants and Contracts Receivable	$ 2,605,467	$ 2,290,311

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

Assets at fair value:

	FAIR VALUE MEASUREMENTS AS OF DECEMBER 31, 2022			
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**TOTAL**
Equity mutual funds	$ 5,167,658	$ -	$ -	$ 5,167,658
Fixed income - bonds	-	1,076,412	-	1,076,412
Total assets at fair value	$ 5,167,658	$ 1,076,412	$ -	$ 6,244,070

	AS OF DECEMBER 31, 2021			
	LEVEL 1	**LEVEL 2**	**LEVEL 3**	**TOTAL**
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	$ 5,284,358	$ 928,158	$ -	$ 6,212,516

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:

	2022		
	Without Donor Restriction	**With Donor Restriction**	**Total**
Interest and dividend income	$ 41,687	$ 56,121	$ 97,808
Net unrealized loss on investments	(571,940)	(850,877)	(1,422,817)
Net realized gain on investments	19,520	26,504	46,024
	$ (510,733)	$ (768,252)	$ (1,278,985)

	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
	$ 392,236	$ 564,173	$ 956,409

NOTE 6 - FIXED ASSETS:

Fixed assets consist of the following:

	December 31, 2022	December 31, 2021
Land	$ 3,259,622	$ 3,259,622
Building & Improvements	16,511,820	13,937,450
Furniture & Equipment	1,394,856	1,085,429
Leasehold Improvements	172,523	53,978
Autos	382,308	255,892
Construction in progress	23,594	1,070,985
Software	240,609	229,164
Total Fixed Assets	21,985,332	19,892,520
Less: accumulated depreciation	(9,715,820)	(9,007,888)
Fixed Assets, Net	$ 12,269,512	$ 10,884,632

NOTE 7 - DUE TO GOVERNMENT AGENCIES:

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

	December 31, 2022	December 31, 2021
New Jersey Division of Developmental Disabilities	$ 20,564	$ 20,564
New Jersey Division of Addiction Services	723,248	618,452
New Jersey Division of Child Protection and Permanency	345,085	221,941
Total Due to the State of New Jersey	$ 1,088,897	$ 860,957

NOTE 8 - LINE OF CREDIT:

The Organization has a $3,500,000 line of credit with a bank with interest at 7.5% which matures on January 29, 2024. The line is secured by the assets of the Organization. There was no balance outstanding on the line at December 31, 2022 and 2021, 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 contributed $317,761 and $549,458 to this plan for the years ended December 31, 2022 and 2021, respectively. 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 worked with a provider to correct all employee individual accounts. As a result, there was $118,328 due to the plan from the Organization as of December 31, 2021, which was included in accrued expenses on the statement of financial position. As of December 31, 2022, no amounts were due to the plan and individual account balances were corrected.

NOTE 10 - CONTRIBUTED NONFINANCIAL ASSETS:

Contributed nonfinancial assets consists of the following:

	December 31,	
	2022	**2021**
Household goods and food	$ 504,261	$ 427,762

Valuation techniques and inputs utilized in valuing these contributed nonfinancial assets are as follows:

Contributed Nonfinancial Asset	Valuation Techniques and Inputs
Household goods and food	Estimated based on estimates of retail values for similar products

The Organization receives donated household goods and food for program and fundraising use. The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization.

All gifts-in-kind received by the Organization for the years ended December 31, 2022 and 2021 were considered without donor restrictions and able to be used by the Organization as determined by management.

NOTE 11 - MORTGAGES PAYABLE:

The following is a schedule of mortgages payable:

	December 31, 2022	December 31, 2021
Mortgage payable to NJEDA reported gross of unamortized debt issuance costs of $31,393 and $40,421, respectively, at December 31, 2022 and 2021. 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, 2022, is 6.8%. The mortgage is secured by the land and building located at 200 Robin Road, Paramus, New Jersey, with a net book value approximating $1,526,000.	$ 972,883	$ 1,059,696
Mortgage payable to NJEDA reported gross of unamortized debt issuance costs of $27,643 and $31,512, respectively, at December 31, 2022 and 2021. 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, 2022, is 6.8%. The mortgage is secured by the land and building located at 200 Robin Road, Paramus, New Jersey, with a net book value approximating $1,526,000.	218,966	355,977
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 $334,000.	133,173	148,852
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 $592,000.	414,997	414,997

NOTE 11 - MORTGAGES PAYABLE: (Continued)

	December 31, 2022	2021
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 $592,000.	107,714	114,000
Mortgage payable to NJHMFA. The original amount of the mortgage is $468,881. The mortgage is for 30 years, maturing on April 7, 2045. Payments will be determined based upon 25% of the project's available cash flow after payment of operating expenses and funding of all escrows. If the project does not show positive cash flow, the payment of 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 $731,000, as well as all other assets of the Middletown Road Supportive Housing Project.	468,881	468,881
Mortgage payable to NJHMFA. The original amount of the mortgage is $388,833. The mortgage is for 30 years, maturing on April 6, 2045. Payments will be determined based upon 25% of the project's available cash flow after payment of operating expenses and funding of all escrows. If the project does not show positive cash flow, the payment of 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 $494,000, as well as all other assets of the Park Avenue Supportive Housing Project.	388,833	388,833

NOTE 11 - MORTGAGES PAYABLE: (Continued)

	December 31, 2022	2021
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 $731,000.	175,000	187,500
Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is $228,935. The mortgage is for 20 years, maturing on April 7, 2035. The Organization must maintain this facility as an approved facility for Department clients for a period of 20 years. The mortgage shall be reduced by 5% for each full year credited 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 $494,000.	160,255	171,701
Mortgage payable to NJHMFA. The original amount of the mortgage is $338,823. As of December 31, 2022, NJHMFA had disbursed $337,278. The balance of the loan will be disbursed during 2023. 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 $1,085,000.	337,278	292,400

NOTE 11 - MORTGAGES PAYABLE: (Continued)

	December 31, 2022	December 31, 2021
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 $1,336,000.	943,662	984,536
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 $255,000.	5,634	5,947
Mortgage payable to NJHMFA. The original amount of the mortgage is $466,813. As of December 31, 2022, NJHMFA had disbursed $465,665. The balance of the loan will be disbursed during 2023. 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 $773,000.	465,665	402,848

NOTE 11 - MORTGAGES PAYABLE: (Continued)

	December 31, 2022	December 31, 2021
Mortgage payable to NJHMFA. The original amount of the mortgage is $390,199. 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 $569,000.	390,199	187,048
Mortgage payable to NJHMFA. The original amount of the mortgage is $500,000. 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 $570,000.	500,000	335,390
Mortgage payable to NJHMFA. The original amount of the mortgage is $559,808. As of December 31, 2022, NJHMFA had disbursed $549,093. The balance of the loan will be disbursed during 2023. 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 $541,000.	549,093	281,759

NOTE 11 - MORTGAGES PAYABLE: (Continued)

	December 31, 2022	2021
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.	118,051	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 $1,085,000.	25,713	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 will be forgiven at maturity. 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 $1,085,000.	95,741	98,476
Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is $90,000. The mortgage is for 20 years, maturing on June 17, 2042. 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 22 Locust Avenue, Wanaque, New Jersey, with a net book value approximating $570,000.	90,000	-

NOTE 11 - MORTGAGES PAYABLE: (Continued)

	December 31, 2022	2021
Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is $28,010. The mortgage is for 20 years, maturing on June 17, 2042. 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 22 Locust Avenue, Wanaque, New Jersey, with a net book value approximating $570,000.	28,010	-
Mortgage payable to the county of Bergen, Division of Community Development. The original amount of the mortgage is $179,000. The mortgage is for 20 years, maturing on April 6, 2041. The Organization must comply with the terms and conditions for rent and occupancy in accordance with the HOME Investment Partnership Program during the affordability period. The mortgage will then be forgiven at the end of the affordability period. The mortgage is secured by the land and building located at 32 Vail Place, Mahwah, New Jersey, with a net book value approximating $773,000.	179,000	-
Mortgage payable to Investors Bank through the Federal Home Loan Bank of New York. The original amount of the mortgage is $100,000. The mortgage is for 15 years, maturing on November 29, 2036. The Organization must comply with the terms and conditions of the Affordable Housing Program during the affordability period. The mortgage will then be forgiven at the end of the affordability period. The mortgage is secured by the land and building located at 22 Locust Avenue, Wanaque, New Jersey, with a net book value approximating $570,000.	100,000	-
Mortgage payable to the state of New Jersey, Department of Human Services, Division of Developmental Disabilities. The original amount of the mortgage is $27,875. The mortgage is for 20 years, maturing on June 17, 2042. 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 320 Shepard Avenue, Englewood, New Jersey, with a net book value approximating $541,000.	27,875	-
Mortgages Payable	$6,896,623	$6,044,101

NOTE 11 - MORTGAGES PAYABLE: (Continued)

Amortization of debt issuance costs of $12,899 for each of the two years ended December 31, 2022 and 2021, 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.

Future principal payments are as follows:

Year Ending December 31,	
2023	$ 326,235
2024	252,896
2025	171,144
2026	177,472
2027	184,362
Thereafter	4,826,298
Forgivable mortgages	1,017,252
Total Mortgages Payable	6,955,659
Less: Unamortized debt issuance costs	(59,036)
Mortgages Payable, net unamortized debt issuance costs	$ 6,896,623

NOTE 12 - 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, 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.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions comprise the following:

	December 31, 2022	December 31, 2021
Time and purpose restrictions:		
Adoption Services:		
For use in future periods to offset expenses		
General Program Expenses	$ 106,849	$ 125,716
Day Care:		
For use in future periods to offset expenses		
General Program Expenses	76,836	90,403
Residential Treatment:		
For use in future periods to offset expenses		
General Program Expenses	365,778	392,495
Community Services - garden	-	20,000
Day Habilitation renovations	-	71,250
Income on permanently restricted net assets	2,311,789	3,080,041
Total time and purpose restrictions	2,861,252	3,779,905
Restricted in Perpetuity:		
Investment in perpetuity, the income from which is expendable to support designated activities of the Organization	187,938	187,938
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	1,414,526
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	1,998,885	1,998,885
Total Net Assets With Donor Restrictions	$ 4,860,137	$ 5,778,790

NOTE 13 - 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, 2022:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 4,310,674	$ 4,310,674

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

Changes in endowment net assets for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of year	$ -	$ 5,078,926	$ 5,078,926
Investment return:			
Investment income	-	56,121	56,121
Net realized and unrealized loss on investments	-	(824,373)	(824,373)
Total Investment Return	-	(768,252)	(768,252)
Endowment Net Assets, End of year	$ -	$ 4,310,674	$ 4,310,674

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

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES:

Commitments:

The Organization leases program and administrative space, copy machines, vehicles, and residential properties for program use for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2041. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Additionally, the agreements generally require the Organization to pay utilities and repairs.

The following table provides quantitative information concerning the Organization's leases as of December 31, 2022:

	2022
Lease expense	
Finance lease expense	
Amortization of ROU asset	$ 34,498
Interest on lease liabilities	3,013
Operating lease expense	608,903
Total lease expense	$ 646,414
Other information:	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	$ 2,723
Financing cash flows from finance leases	$ 29,652
Operating cash flows from operating leases	$ 622,639
Right of use assets obtained in exchange for new finance lease liabilities	$ 208,320
Right of use assets obtained in exchange for new operating lease liabilities	$ 2,413,008
Weighted-average remaining lease term - finance leases	3.9 years
Weighted-average remaining lease term - operating leases	7.3 years
Weighted-average discount rate - finance leases	2.41%
Weighted-average discount rate - operating leases	1.55%

NOTE 14 - COMMITMENTS AND CONTINGENCIES: (Continued)

***Commitments:* (Continued)**

The Organization classifies the total discounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for operating lease liabilities as of December 31, 2022, is as follows:

Year Ending December 31,	Finance	Operating
2023	$ 48,736	$ 589,015
2024	48,736	533,082
2025	48,736	236,961
2026	30,536	82,554
2027	11,029	34,440
Thereafter	-	476,420
Total lease payments	187,773	1,952,472
Less: imputed interest	(8,814)	(130,957)
Present Value of Lease Liabilities	$ 178,959	$ 1,821,515

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 Park Ridge 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 $212,400 as of December 31, 2022.

NOTE 14 - COMMITMENTS AND CONTINGENCIES: (Continued)

Contingencies: ***(Continued)***

The details of the contingencies are as follows:

Group Home	Capital Funding	Funding Liability
West Orange	$ 4,680	$ 2,223
Park Ridge	444,709	143,985
Ridgewood	185,573	9,279
Woodlea	252,462	28,736
Paramus	271,358	12,337
Bogota	451,148	15,840
	$ 1,609,930	$ 212,400

Although the Organization closed several of these programs, the properties were transitioned 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 servicing an at-need population for individuals and families. Management believes that the Organization will not have to pay these funds back to the state and is working with the state to have these funds forgiven.

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

NOTE 15 - SIGNIFICANT SOURCE OF SUPPORT:

The Organization received approximately 90% and 80%, respectively, of its total support for the years ended December 31, 2022 and 2021, from government agencies, including Medicaid.

Approximately 100% of the Organization's total grants and contracts receivable for the years ended December 31, 2022 and 2021, is due from government agencies, including Medicaid.

Approximately 60% of the Organization's total contributions receivable for the year ended December 31, 2022, is due from one donor. Approximately 100% of the Organization's total contributions receivable for the year ended December 31, 2021, is due from two donors.

NOTE 16 - 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, 2022	Year Ended December 31, 2021
Fundraising events, revenue	$ 476,725	$ 447,906
Fundraising events, expense	(128,541)	(108,014)
Fundraising events, net	$ 348,184	$ 339,892

NOTE 17 - FUNCTIONAL EXPENSES:

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

NOTE 18 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following represents the Organization's financial assets at December 31, 2022 and 2021, 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, 2022	December 31, 2021
Cash and cash equivalents	$ 4,559,685	$ 6,062,748
Accounts receivable	2,781,198	2,386,600
Investments	6,244,070	6,212,516
Total financial assets	13,584,953	14,661,864
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(4,860,137)	(5,778,790)
Financial assets available to meet general expenditure over the next 12 months	$ 8,724,816	$ 8,883,074

NOTE 18 - LIQUIDITY AND AVAILABILITY OF RESOURCES: (Continued)

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

NOTE 19 - 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.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

Grant or Program Title	Original Contract Period	Assistance Listing Number	Grant Number	Program Award Amount	Disbursements/ Expenditures
Federal Programs					
US Department of Health and Human Services					
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	1/1/22 - 12/31/22	93.959	22-754-ADA-0	$ 202,000	$ 157,821
Illegal Substances	1/1/22 - 12/31/22	93.959	22-754-ADA-0	104,600	104,600
Bergen County Underage Drinking	1/1/22 - 12/31/22	93.959	22-754-ADA-0	137,000	137,000
Passaic County Underage Drinking	1/1/22 - 12/31/22	93.959	22-754-ADA-0	100,000	100,000
Prescription Drug Abuse Prevention	1/1/22 - 12/31/22	93.959	22-754-ADA-0	112,000	101,539
Prevention Hub: Warm Line	1/1/22 - 12/31/22	93.959	22-754-ADA-0	37,829	33,268
Prevention Hub: Preventure	1/1/22 - 12/31/22	93.959	22-754-ADA-0	2,000	2,000
Prevention Hub: Strengething Families	1/1/22 - 12/31/22	93.959	22-754-ADA-0	21,000	4,500
Prevention Hub: Transportation	1/1/22 - 12/31/22	93.959	22-754-ADA-0	10,000	937
Prevention Hub: Creation	1/1/22 - 12/31/22	93.959	22-754-ADA-0	50,000	45,227
Prevention Hub: OTC	1/1/22 - 12/31/22	93.959	22-754-ADA-0	100,000	24,289
Opioid Overdose Recovery Program	10/1/21 - 9/30/22	93.959	22-804-ADA-0	255,750	161,872
Opioid Overdose Recovery Program	10/1/22 - 9/30/23	93.959	23-804-ADA-0	255,750	76,133
Opioid Overdose Recovery Expansion Program	10/1/21 - 9/30/22	93.959	22-804-ADA-0	135,000	92,421
Opioid Overdose Recovery Expansion Program	10/1/22 - 9/30/23	93.959	23-804-ADA-0	135,000	45,362
Support Team for Addiction Recovery (STAR) Program	10/1/21 - 9/30/22	93.959	22-804-ADA-0	353,655	159,611
Support Team for Addiction Recovery (STAR) Program	10/1/22 - 9/30/23	93.959	23-804-ADA-0	364,620	51,061
Support Team for Addiction Recovery (STAR) Expansion Program	10/1/21 - 9/30/22	93.959	22-804-ADA-0	176,915	90,208
Support Team for Addiction Recovery (STAR) Expansion Program	10/1/22 - 9/30/23	93.959	23-804-ADA-0	182,660	29,109
Alternate Approaches to Pain Management in Older Adults-Bergen County	10/1/21 - 9/30/22	93.959	22-804-ADA-0	75,000	59,450
Alternate Approaches to Pain Management in Older Adults-Bergen County	10/1/22 - 9/30/23	93.959	23-804-ADA-0	75,000	20,014
Alternate Approaches to Pain Management in Older Adults-Passaic County	10/1/21 - 9/30/22	93.959	22-804-ADA-0	75,000	59,831
Alternate Approaches to Pain Management in Older Adults-Passaic County	10/1/22 - 9/30/23	93.959	23-804-ADA-0	75,000	17,519
Strategic Prevention Framework Partnerships for Success	10/1/21 - 9/30/22	93.959	22-804-ADA-0	70,500	40,890
Strategic Prevention Framework Partnerships for Success	10/1/22 - 9/30/23	93.959	23-804-ADA-0	70,500	16,750
Government Performance Result Act (GPRA)	10/1/21 - 9/30/22	93.959	22-804-ADA-0	31,350	19,723
Government Performance Result Act (GPRA)	10/1/22 - 9/30/23	93.959	23-804-ADA-0	31,350	3,705
Opioid Abuse in Sport-Related Injuries	9/1/21 - 9/30/22	93.959	22-804-ADA-0	13,049	5,113
Opioid Abuse in Sport-Related Injuries	10/1/22 - 9/30/23	93.959	23-804-ADA-0	13,049	1,272
				3,265,577	1,661,225

Grant or Program Title	Original Contract Period	Assistance Listing Number	Grant Number	Program Award Amount	Disbursements/ Expenditures
Federal Programs					
Department of Health and Human Services,					
Center for Disease Control and Prevention					
Drug-free Communities Support	10/1/18 - 9/29/23	93.276	2H79SPO80858-08	$ 625,000	$ 85,118
U.S. Department of Justice					
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 (COSSAP)	10/1/20 - 9/30/23	16.838	2020-AR-BX-0120	1,200,000	241,151
U.S. Department of Housing and Urban Development					
Passed through the New Jersey Department of Human Services					
200 Robin Road Gender Nuetral Restroom (CDBG)	7/1/20 - 6/30/21	14.228	CW-CAFS-08-20	95,000	95,000
Total Federal Awards				$ 5,185,577	$ 2,082,494

CHILDREN'S AID AND FAMILY SERVICES, INC.
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2022

Grant or Program Title	Original Contract Period	Grant Number	Program Award Amount	Disbursements/ Expenditures
State Programs				
New Jersey Department of Children and Families				
Division of Child Protection and Permanency				
Child Welfare Services	7/1/21 - 6/30/22	22CDBN	$ 1,238,735	$ 318,809
Child Welfare Services	7/1/22 - 6/30/23	23CDBN	1,238,735	615,718
			2,477,470	934,527
Child Welfare Services	5/1/21 - 6/30/22	22PLBP	410,584	134,347
Child Welfare Services	5/1/22 - 6/30/23	23PLBP	601,105	171,462
			1,011,689	305,809
New Jersey Department of Human Services				
Division of Mental Health and Addiction Services				
Passed through the Bergen County Sheriff's Department				
Medication Assisted Treatment Grant	7/1/21 - 6/30/22	22-914-ADA	200,426	68,451
Medication Assisted Treatment Grant	7/1/22 - 6/30/23	23-914-ADA	120,440	36,267
			320,866	104,718
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-2-2022	90,476	52,071
Operation Helping Hand	9/1/22 - 8/31/23	SFY-OHH-2-2022	165,079	49,524
Operation Helping Hand	9/1/21 - 8/31/22	FFY-OHH-2-2021	12,614	12,613
			268,169	114,208
Bergen County Department of Human Services				
Life Skills Training and EPIC (Youth Services Commission)	1/1/22 - 12/31/22	CAFS-S21	129,577	128,392
Total State Awards			$ 4,207,771	$ 1,587,654

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, 2022, 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, 2022, the Organization did not have any federal or state loan or loan guarantee programs.

CliftonLarsonAllen LLP
CLAconnect.com

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*

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, 2022, 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 2, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that have not been identified.

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See CLAglobal.com/disclaimer.

Report on 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
October 2, 2023

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

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, 2022. 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, 2022.

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 Auditors' 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
October 2, 2023

I. Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

• Material weaknesses identified?	______ Yes	__X__ No
• Significant deficiencies identified that are not considered to be material weaknesses?	______ Yes	__X__ No
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal and State Awards

Internal control over major programs:

• Material weaknesses identified?	______ Yes	__X__ No
• Significant deficiencies identified that are not considered to be material weaknesses?	______ Yes	__X__ No

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

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

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

Assistance Listing Number	Name of Federal or State Program or Cluster
93.959	Department of Health and Human Services: 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?

	Yes	No
Federal Awards		X
State Awards	X	

II. Financial Statement Finding

NONE

III. Compliance Finding

NONE

IV. Follow-up of Prior-year Audit Findings

NONE