

**BERGEN'S PROMISE, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# **BERGEN'S PROMISE, INC.**

JUNE 30, 2021 AND 2020

## CONTENTS

	<b><u>Page</u></b>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-14

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Bergen's Promise, Inc.  
Hackensack, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Bergen's Promise, Inc. ("Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bergen's Promise, Inc., as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Sobel & Co, LLC*

Certified Public Accountants

Livingston, New Jersey  
January 24, 2022

**BERGEN'S PROMISE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

	June 30,	
	2021	2020
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,547,804	\$ 2,041,259
Accounts receivable - Medicaid	2,699,048	1,135,805
Prepaid expenses and other current assets	83,149	293,806
Total Current Assets	<u>6,330,001</u>	<u>3,470,870</u>
Restricted cash	<u>57,037</u>	<u>56,762</u>
PROPERTY AND EQUIPMENT:		
Fixed assets	2,074,679	2,074,679
Less: Accumulated depreciation	(1,712,823)	(1,611,299)
Property and Equipment, Net	<u>361,856</u>	<u>463,380</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,748,894</u>	<u>\$ 3,991,012</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 970,954	\$ 1,018,285
Refundable advance	150,000	25,000
Total Current Liabilities	<u>1,120,954</u>	<u>1,043,285</u>
Deferred rent	650,552	375,766
Total Liabilities	<u>1,771,506</u>	<u>1,419,051</u>
NET ASSETS:		
Without donor restrictions	4,977,388	2,263,607
With donor restrictions	-	308,354
	<u>4,977,388</u>	<u>2,571,961</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,748,894</u>	<u>\$ 3,991,012</u>

**BERGEN'S PROMISE, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<b>SUPPORT AND REVENUES:</b>						
Medicaid reimbursement	\$ 13,656,818	\$ -	\$ 13,656,818	\$ 11,527,210	\$ -	\$ 11,527,210
Government grants and contracts	580,346	-	580,346	486,452	33,048	519,500
Other income	2,542	-	2,542	160	-	160
Interest income	12,286	-	12,286	12,321	-	12,321
	14,251,992	-	14,251,992	12,026,143	33,048	12,059,191
Net assets released from restriction	308,354	(308,354)	-	159,561	(159,561)	-
Total Support and Revenue	14,560,346	(308,354)	14,251,992	12,185,704	(126,513)	12,059,191
<b>FUNCTIONAL EXPENSES:</b>						
Care management	10,584,889	-	10,584,889	9,989,378	-	9,989,378
Management and general	1,261,676	-	1,261,676	1,226,296	-	1,226,296
Total Functional Expenses	11,846,565	-	11,846,565	11,215,674	-	11,215,674
Changes in net assets	2,713,781	(308,354)	2,405,427	970,030	(126,513)	843,517
NET ASSETS - Beginning of year	2,263,607	308,354	2,571,961	1,293,577	434,867	1,728,444
NET ASSETS - End of year	\$ 4,977,388	\$ -	\$ 4,977,388	\$ 2,263,607	\$ 308,354	\$ 2,571,961

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

**BERGEN'S PROMISE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Care Management	Management and General	Total	Care Management	Management and General	Total
Salaries	\$ 6,140,479	\$ 775,680	\$ 6,916,159	\$ 6,170,864	\$ 793,994	\$ 6,964,858
Payroll taxes and fringe benefits	1,880,429	237,541	2,117,970	1,790,223	230,345	2,020,568
	8,020,908	1,013,221	9,034,129	7,961,087	1,024,339	8,985,426
Professional services	253,164	30,674	283,838	125,198	36,869	162,067
Occupancy	868,236	109,678	977,914	447,978	57,641	505,619
Telephone	117,758	14,947	132,705	124,998	16,083	141,081
Office expenses	286,044	36,030	322,074	319,858	41,155	361,013
Office equipment and internet	18,545	2,354	20,899	33,056	4,253	37,309
Staff development	9,654	31,471	41,125	42,622	7,636	50,258
Repairs and maintenance	51,685	6,560	58,245	122,299	10,482	132,781
Travel	32,936	-	32,936	30,248	-	30,248
Advertising	143,807	-	143,807	100,971	-	100,971
Printing	20,919	-	20,919	16,806	-	16,806
Insurance	173,126	16,741	189,867	89,530	9,648	99,178
Depreciation	101,524	-	101,524	141,371	18,190	159,561
Client expenses	332,492	-	332,492	418,554	-	418,554
COVID expenses	139,937	-	139,937	-	-	-
Miscellaneous	14,154	-	14,154	14,802	-	14,802
Total Expenses	\$ 10,584,889	\$ 1,261,676	\$ 11,846,565	\$ 9,989,378	\$1,226,296	\$ 11,215,674

**BERGEN'S PROMISE**  
**STATEMENTS OF CASH FLOWS**

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	<b>Year Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS PROVIDED BY:</b>		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 2,405,427	\$ 843,517
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	101,524	159,561
Deferred rent	274,786	23,596
Changes in certain assets and liabilities:		
Accounts receivable	(1,563,243)	(158,595)
Prepaid expenses and other current assets	210,657	(201,254)
Accounts payable and accrued expenses	(47,331)	292,068
Refundable advance	125,000	-
Net Cash Provided by Operating Activities	<u>1,506,820</u>	<u>958,893</u>
 <u>INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	-	(278,726)
 NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	 1,506,820	 680,167
 CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of year	<u>2,098,021</u>	<u>1,417,854</u>
End of year	<u>\$ 3,604,841</u>	<u>\$ 2,098,021</u>



**BERGEN'S PROMISE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 1 - NATURE OF ORGANIZATION:**

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Bergen's Promise, Inc. ("Organization"), is a New Jersey private, not-for-profit corporation, established in 2001, whose primary mission is to promote "Healthy Families, Safe at Home." The Organization is part of the New Jersey Children's System of Care and serves youth ages 5 to 21 years of age who are encountering mental and behavioral health challenges, substance abuse issues, and developmental and intellectual disabilities. Youths with chronic co-occurring behavioral and specific health issues are also served through an enhanced medical care coordination component. The Organization uses the Wraparound Approach, a strength-based, child-centered, trauma-informed approach through a Child and Family Team concept. These services, resources, and support administered by the Organization provide an opportunity for the youth to realize their highest potential in their own communities.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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***Basis of Accounting:***

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

***Financial Statement Presentation:***

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

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:***

For financial statement purposes, cash and money market funds are considered to be cash equivalents.

**BERGEN'S PROMISE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

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***Restricted Cash:***

Cash is restricted for the lease agreement for 3 University Plaza. The cash, which is held in a money market account, amounted to \$57,037 and \$56,762 at June 30, 2021 and 2020, respectively.

***Accounts Receivable - Medicaid:***

The Organization utilizes the reserve method of accounting for doubtful accounts. The reserves are based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. At June 30, 2021 and 2020, an allowance was not deemed necessary.

***Property and Equipment:***

Leasehold improvements, furniture and equipment, and vehicles in excess of \$1,000 are recorded at cost. Government-funded property and equipment acquisitions are recorded as restricted support. Depreciation is being charged over the useful lives of the assets, which range from three to ten years using the straight-line method.

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. Maintenance, repairs, and minor replacements that do not improve or extend the life of an asset are expensed as incurred.

***Valuation of Long-lived Assets:***

In accordance with the accounting pronouncements on impairment or disposal of long-lived assets, the Organization reviewed long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Management has determined that no impairment charge was required for the years ended June 30, 2021 and 2020.

***Deferred Rent:***

The Organization's operating space lease agreements include lease incentives and lease escalations throughout their respective terms. The Organization recognizes rent expense on a straight-line basis over the term of the lease. The differences between amounts paid and amounts charged to expense are reflected as deferred rent.

***Medicaid Reimbursement:***

The Organization is reimbursed by Medicaid for services provided to consumers, subject to rules and regulations of the program. Medicaid revenue is recognized when the services have been provided and billed to the Medicaid program. Related expenses offset primarily by Medicaid and, secondarily, by other state funding are included in care management services. Revenue received under certain contracts is subject to audit and adjustment. Differences between the estimated adjustment and the amounts settled are recorded in the year of settlement.

**BERGEN'S PROMISE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

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***Revenue Recognition:***

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 statements of activities and changes in net assets as net assets related to 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 refundable advances.

The Organization derives a significant portion of its revenue from Medicaid reimbursement. Medicaid reimbursement revenue is 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 providing such services. The Organization recognizes Medicaid reimbursement over time as services are provided to the Organization's clients. There are no significant financing components or variable considerations provided to clients.

***Advertising:***

Recruitment advertising to hire additional employees is expensed as incurred. Advertising expenses were approximately \$144,000 and \$101,000 for the years ended June 30, 2021 and 2020, respectively.

***Income Taxes:***

The Internal Revenue Service has recognized the Organization as tax-exempt 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 their financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest, 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 fiscal years ended 2021 and 2020. At June 30, 2021 and 2020, there are no significant income tax uncertainties.

**BERGEN'S PROMISE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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

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***Recent Accounting Pronouncements:***

In February 2015, the Financial Accounting Standards Board issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. An organization may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The standard is effective for annual reporting periods beginning after December 15, 2021. Earlier adoption is permitted subject to certain limitations. The Organization is currently evaluating the effect of the provisions this standard will have on the financial statements.

***Use of Estimates:***

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

***Subsequent Events:***

The Organization has evaluated events subsequent to the statement of financial position date as of June 30, 2021, through January 24, 2022, the date that the financial statements were available to be issued.

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**NOTE 3 - ACCOUNTS RECEIVABLE - MEDICAID:**

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The Organization receives grant funding from the state of New Jersey, with the understanding that any Medicaid funds received for services provided are refunded to the state. In accordance with this understanding, Medicaid revenues are considered recoveries of grant funding and have been recorded as revenues and as refundable to the state. As per notice from the state of New Jersey, Department of Children and Families Services ("DCF"), Division of Children's System of Care, DCF has decided to exempt care management organizations ("CMOs") from certain contract policies, one of them being the contract close-out policy calculations that have prohibited CMOs from retaining revenue earned in excess of operational expenses. At June 30, 2021 and 2020, accounts receivable as it relates to Medicaid amounted to \$2,699,048 and \$1,135,805, respectively.

**BERGEN'S PROMISE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 4 - PROPERTY AND EQUIPMENT:**

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Property and equipment consist of the following:

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Vehicles	\$ 468,990	\$ 468,990
Equipment	703,671	703,671
Furniture and fixtures	829,081	829,081
Leasehold improvements	72,937	72,937
	<u>2,074,679</u>	<u>2,074,679</u>
Less: Accumulated depreciation	1,712,823	1,611,299
Property and Equipment, Net	<u>\$ 361,856</u>	<u>\$ 463,380</u>

**NOTE 5 - LINE OF CREDIT:**

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The Organization has a line of credit that provides for borrowings up to \$850,000 with interest payable at a rate equal to the Wall Street Journal Prime Rate plus 0.25% (3.25% and 3.25%, respectively, as of June 30, 2021 and 2020). The Organization or bank may cancel the agreement at any time. There was no outstanding balance or interest expense at June 30, 2021 and 2020.

**NOTE 6 - DEFINED-CONTRIBUTION PLAN:**

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The Organization maintains a noncontributory, defined-contribution profit-sharing plan ("Plan"), which covers substantially all employees. All employees who have attained the age of 21 and have completed one year of service are eligible to participate in the Plan. Contributions to the Plan for each plan year are determined by the Organization in its sole discretion. The Organization's pension expense for the years ended June 30, 2021 and 2020, was \$183,920 and \$118,239, respectively. These amounts are recorded to payroll taxes and fringe benefits on the statements of functional expenses. It is the Organization's policy to fund the pension expense as it is incurred.

**BERGEN'S PROMISE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS:**

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The following net assets with donor restrictions are available for the following purposes:

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Investment in property and equipment to absorb subsequent depreciation expenses on assets purchased with government funds	\$ -	\$ 127,618
Funds reserved to maintain staffing levels as required by the state	-	180,736
	<u>\$ -</u>	<u>\$ 308,354</u>

The Organization is no longer required to maintain government funds as donor-restricted net assets.

**NOTE 8 - LEASES:**

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The Organization currently leases operating space in Hackensack, New Jersey, under a noncancelable lease agreement expiring February 28, 2030, with escalating rental payments. Rent expense, included in occupancy costs in the statements of functional expenses, amounted to \$643,665 and \$414,241 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2022	\$ 476,040
2023	485,313
2024	494,587
2025	503,860
2026	491,816
Thereafter	<u>3,171,093</u>
Total	<u>\$ 5,622,709</u>

**BERGEN'S PROMISE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 8 - LEASES: (Continued)**

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The Organization also leases office equipment under a five-year cancellable lease. Lease expense, included in office equipment expense in the statements of functional expenses, amounted to \$2,242 and \$15,101 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2022	\$ 24,588
2023	24,588
2024	8,196
Total	<u>\$ 57,372</u>

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**NOTE 9 - SIGNIFICANT RISKS AND UNCERTAINTIES:**

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The Organization maintains its cash and cash equivalents in accounts with federally insured institutions. At times, the balances in these accounts may be in excess of federally insured limits.

The Organization is involved in litigation arising in the normal course of its operations. Management believes that the amount of losses that might be sustained beyond existing insurance coverage would not have a material effect on the accompanying financial statements.

All of Bergen's Promise, Inc.'s income is dependent on funding from either Medicaid or the state of New Jersey, Department of Children and Families Services, the loss of which would have a material effect on the Organization's ability to operate. All of the receivables are due from Medicaid.

The Organization is actively monitoring the recent COVID-19 outbreak and its potential impact on the employees, clients, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.

The Organization has a labor contract with CWA Local Union 1037, which expires December 31, 2022.

**BERGEN'S PROMISE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 10 - CONCENTRATIONS:**

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Medicaid services account for approximately 95% and 96% of total revenues for the years ended June 30, 2021 and 2020, respectively. Such support is subject to financial and compliance requirements, and audits by the grantor and by Medicaid.

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**NOTE 11 - FUNCTIONAL EXPENSES:**

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The costs of providing the Organization's care management, and management and general are separately summarized in the statements of functional expenses. Accordingly, certain costs have been allocated among those care management, and management and general expenses. Management and general costs include those expenses that are not directly identifiable with any other specific function but do provide for the overall support and direction of the Organization.

The financial statements contain certain categories of expense that are attributed to more than one supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and related payroll expenses and fringe benefits are allocated based on position, and time and effort studies. Items that are based on the percentage of salaries are: occupancy, telephone, office expenses, office equipment, repairs and maintenance, and depreciation. All other expense are based on direct cost.

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**NOTE 12 - LIQUIDITY AND AVAILABILITY:**

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The following represents the Organization's financial assets, reduced by any 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.

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 3,547,804	\$ 2,041,259
Accounts receivable - Medicaid	2,699,048	1,135,805
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 6,246,852</u>	<u>\$ 3,177,064</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments, such as money market accounts. Additionally, the Organization has a line of credit available up to \$850,000.