

BERGEN'S PROMISE, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2022 AND 2021



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BERGEN'S PROMISE, INC.

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Bergen's Promise, Inc., a nonprofit corporation, which comprise the statement of financial position as of June 30, 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 Bergen's Promise, Inc. as of June 30, 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 responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Bergen's Promise, Inc. 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.

Other Matter

The financial statements of Bergen's Promise, Inc. as of June 30, 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 January 24, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 Bergen's Promise, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Bergen's Promise, Inc.'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 Bergen's Promise, Inc.'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 schedule of expenditures of state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB Circular Letter 15-08, is presented for purposes of additional analysis and is 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 schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2023, on our consideration of Bergen's Promise, Inc.'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 Bergen's Promise, Inc.'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 Bergen's Promise, Inc.'s internal control over financial reporting and compliance.

Correction of an Error

As discussed in Note 3 to the financial statements, certain errors resulting in the understatements of investments and deferred compensation liabilities and restricted net assets as of June 30, 2022, were discovered during the current year. Accordingly, amounts reported for investments, deferred compensation liabilities and restricted assets have been restated in the June 30, 2022 financial statements now presented, and an adjustment has been made to net assets as of June 30, 2020 to correct the error. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Livingston, New Jersey
March 14, 2023

BERGEN'S PROMISE, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,766,487	\$ 3,547,804
Accounts receivable - Medicaid	1,722,339	2,699,048
Prepaid expenses and other current assets	175,031	83,149
Total Current Assets	11,663,857	6,330,001
Restricted cash	57,235	57,037
PROPERTY AND EQUIPMENT:		
Fixed assets	1,330,053	2,074,679
Less: Accumulated depreciation	(1,024,917)	(1,712,823)
Property and Equipment, Net	305,136	361,856
Investments - Deferred compensation plan	187,326	200,926
TOTAL ASSETS	\$ 12,213,554	\$ 6,949,820
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 899,395	\$ 970,954
Refundable advance - State of New Jersey	150,000	150,000
Total Current Liabilities	1,049,395	1,120,954
Deferred rent	819,361	650,552
Deferred compensation liability	187,326	200,926
Total Liabilities	2,056,082	1,972,432
NET ASSETS:		
Without donor restrictions	9,706,628	4,460,646
With donor restrictions	450,844	516,742
Total Net Assets	10,157,472	4,977,388
TOTAL LIABILITIES AND NET ASSETS	\$ 12,213,554	\$ 6,949,820

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

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

	Year Ended June 30, 2022			Year Ended June 30, 2021		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
SUPPORT AND REVENUES:						
Medicaid reimbursement	\$ 17,820,664	\$ -	\$ 17,820,664	\$ 13,656,818	\$ -	\$ 13,656,818
Government grants and contracts	564,238	57,484	621,722	580,346	-	580,346
Other income	17,296	-	17,296	2,542	-	2,542
Interest income	20,962	-	20,962	12,286	-	12,286
Total	18,423,160	57,484	18,480,644	14,251,992	-	14,251,992
Net assets released from restriction	123,382.00	(123,382)	-	131,504	(131,504)	-
Total Support and Revenue	18,546,542	(65,898)	18,480,644	14,383,496	(131,504)	14,251,992
FUNCTIONAL EXPENSES:						
Care management	11,539,756	-	11,539,756	10,584,889	-	10,584,889
Management and general	1,760,804	-	1,760,804	1,261,676	-	1,261,676
Total Functional Expenses	13,300,560	-	13,300,560	11,846,565	-	11,846,565
Changes in net assets	5,245,982	(65,898)	5,180,084	2,536,931	(131,504)	2,405,427
NET ASSETS - Beginning of year, previously reported	4,460,646	516,742	4,977,388	2,263,607	308,354	2,571,961
Restatement of Net Asset Balances	-	-	-	(339,892)	339,892	-
NET ASSETS - Beginning of year, as restated	-	-	-	1,923,715	648,246	2,571,961
NET ASSETS - End of year	\$ 9,706,628	\$ 450,844	\$ 10,157,472	\$ 4,460,646	\$ 516,742	\$ 4,977,388

BERGEN'S PROMISE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2022			Year Ended June 30, 2021		
	Care Management	Management and General	Total	Care Management	Management and General	Total
Salaries	\$ 6,855,512	\$ 765,511	\$ 7,621,023	\$ 6,140,479	\$ 775,680	\$ 6,916,159
Payroll taxes and fringe benefits	2,178,245	242,633	2,420,878	1,880,429	237,541	2,117,970
Total	9,033,757	1,008,144	10,041,901	8,020,908	1,013,221	9,034,129
Professional services	352,444	526,853	879,297	253,164	30,674	283,838
Occupancy	953,268	106,445	1,059,713	868,236	109,678	977,914
Telephone	102,318	11,425	113,743	117,758	14,947	132,705
Office expenses	117,027	13,068	130,095	286,044	36,030	322,074
Office equipment and internet	19,285	2,153	21,438	18,545	2,354	20,899
Staff development	78,866	78,071	156,937	9,654	31,471	41,125
Repairs and maintenance	42,643	4,762	47,405	51,685	6,560	58,245
Travel	36,735	-	36,735	32,936	-	32,936
Advertising	94,640	-	94,640	143,807	-	143,807
Printing	19,030	-	19,030	20,919	-	20,919
Insurance	54,608	9,883	64,491	173,126	16,741	189,867
Depreciation	114,204	-	114,204	101,524	-	101,524
Client expenses	468,077	-	468,077	332,492	-	332,492
COVID expenses	15,636	-	15,636	139,937	-	139,937.00
Project expenses	17,876	-	17,876			
Miscellaneous	19,342	-	19,342	14,154	-	14,154
Total Expenses	\$ 11,539,756	\$ 1,760,804	\$ 13,300,560	\$ 10,584,889	\$ 1,261,676	\$ 11,846,565

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

BERGEN'S PROMISE

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2022	2021
CASH FLOWS PROVIDED BY:		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 5,180,084	\$ 2,405,427
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	114,204	101,524
Deferred rent	168,809	274,786
Investments - Deferred compensation plan	(13,600)	-
Changes in certain assets and liabilities:		
Accounts receivable	976,709	(1,563,243)
Prepaid expenses and other current assets	(91,882)	210,657
Accounts payable and accrued expenses	(71,559)	(47,331)
Refundable advance	-	125,000
Deferred compensation liability	13,600	-
Net Cash Provided by Operating Activities	<u>6,276,365</u>	<u>1,506,820</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	<u>(57,484)</u>	<u>-</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	6,218,881	1,506,820
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Beginning of year	<u>3,604,841</u>	<u>2,098,021</u>
End of year	<u>\$ 9,823,722</u>	<u>\$ 3,604,841</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents	\$ 9,766,487	\$ 3,547,804
Restricted cash	57,235	57,037
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 9,823,722</u>	<u>\$ 3,604,841</u>

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

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ORGANIZATION:

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:

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 cash equivalents.

Restricted Cash:

Cash is restricted for the Organization's operating lease. The cash, which is held in a money market account, amounted to \$57,235 and \$57,037 at June 30, 2022 and 2021, 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, 2022 and 2021, an allowance was not deemed necessary.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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, 2022 and 2021.

Fair Value:

Fair value measurements are defined as the amounts 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.
- 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 used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

The fair value of the investments are as follows:

Bond Funds – Valued at the daily closing price as reported by the fund. Bond funds held by the Organization are open-end bond funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The bond funds held by the Organization are deemed to be actively traded and are categorized in Level 1 of the fair value hierarchy.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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.

Deferred Compensation:

The Organization established a 457(b) deferred compensation plan on behalf of certain executives of the Organization, effective July 1, 2010. The deferred compensation plan was organized under Section 457(b) of the Internal Revenue Code and is unfunded. Any distributions under the plan are to be made out of the general assets of the Organization. The Organization has set aside funds to meet this obligation. Total investments held under the deferred compensation plan, as well as the related liability, were \$187,326 and \$200,926, as of June 30, 2022 and 2021, respectively.

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.

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.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

Advertising:

Recruitment advertising to hire additional employees is expensed as incurred. Advertising expenses were approximately \$95,000 and \$144,000 for the years ended June 30, 2022 and 2021, 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 2022 and 2021. At June 30, 2022 and 2021, there are no significant income tax uncertainties.

Recent Accounting Pronouncements:

In February 2016, 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 or a cumulative-effect adjustment transition approach may be used, and the new standard is applied to all leases existing at the date of initial application. An 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 the provisions of 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.

Reclassifications:

Certain amounts have been reclassified in the fiscal year 2021 financial statement presentation to conform to the fiscal year 2022 financial statement presentation.

Subsequent Events:

The Organization has evaluated events subsequent to the statement of financial position date as of June 30, 2022, through March 14, 2023, the date that the financial statements were available to be issued.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 - RESTATEMENT OF FINANCIAL STATEMENTS:

The accompanying financial statements for the year ended June 30, 2021 have been restated to correct an understatement in assets and liabilities for deferred compensation plan and an understatement in net assets with donor restrictions not properly reported during the year ended June 30, 2020.

	As Previously Reported	Restated
Total Assets	\$ 6,748,894	\$ 6,949,820
Total Liabilities	1,771,506	1,972,432
Net Assets without Donor Restrictions	2,263,607	1,923,715
Net Assets with Donor Restrictions	308,354	648,246

NOTE 4 - MEDICAID:

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.

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

	June 30,	
	2022	2021
Vehicles	\$ 396,939	\$ 468,990
Equipment	224,071	703,671
Furniture and fixtures	686,030	829,081
Leasehold improvements	23,013	72,937
	1,330,053	2,074,679
Less: Accumulated depreciation	1,024,917	1,712,823
Property and Equipment, Net	\$ 305,136	\$ 361,856

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 - INVESTMENTS - DEFERRED COMPENSATION PLAN:

Investments for the deferred compensation plan, at fair value are as follows:

June 30, 2022				
	Level 1	Level 2	Level 3	Total
Investments held for deferred compensation:				
Money Market	\$ 94,806	\$ -	\$ -	\$ 94,806
Corporate Bond	92,520	-	-	92,520
	<u>\$ 187,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,326</u>

June 30, 2021				
	Level 1	Level 2	Level 3	Total
Investments held for deferred compensation:				
Money Market	\$ 94,645	\$ -	\$ -	\$ 94,645
Corporate Bond	106,282	-	-	106,282
	<u>\$ 200,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,926</u>

NOTE 7 - LINE OF CREDIT:

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% (4.75% and 3.25%, respectively, as of June 30, 2022 and 2021). The Organization or bank may cancel the agreement at any time. There was no outstanding balance or interest expense at June 30, 2022 and 2021.

NOTE 8 - DEFINED-CONTRIBUTION PLAN:

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, 2022 and 2021, was \$245,492 and \$183,920, 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, 2022 AND 2021

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS:

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

	June 30,	
	2022	2021
Investment in property and equipment to absorb subsequent depreciation expenses on assets with government funds purchased	\$ 309,267	\$ 365,987
Funds reserved to maintain staffing levels as required by the state	141,577	150,755
	<u>\$ 450,844</u>	<u>\$ 516,742</u>

The following net assets with donor restrictions were released from restrictions:

	June 30,	
	2022	2021
Investment in property and equipment to absorb subsequent depreciation expenses on assets with government funds purchased	\$ 114,204	\$ 101,524
Funds reserved to maintain staffing levels as required by the state	9,178	29,980
	<u>\$ 123,382</u>	<u>\$ 131,504</u>

NOTE 10 - LEASES:

The Organization currently leases office 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 \$960,778 and \$918,449 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments are as follows:

Year Ending	Amount
June 30,	
2023	\$ 854,154
2024	871,559
2025	888,964
2026	906,369
2027	716,421
Thereafter	1,412,663
Total	<u>\$ 5,650,130</u>

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 - SIGNIFICANT RISKS AND UNCERTAINTIES:

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 has a labor contract with CWA Local Union 1037, which expired December 31, 2022 and is currently in the process of being renegotiated.

NOTE 12 - CONCENTRATIONS:

Medicaid services account for approximately 96% of total revenues for the years ended June 30, 2022 and 2021, respectively. Such support is subject to financial and compliance requirements, and audits by the grantor and by Medicaid.

NOTE 13 - FUNCTIONAL EXPENSES:

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 direct costs.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 14 - LIQUIDITY AND AVAILABILITY:

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.

	June 30,	
	2022	2021
Cash and cash equivalents	\$ 9,766,487	\$ 3,547,804
Accounts receivable - Medicaid	1,722,339	2,699,048
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 11,488,826</u>	<u>\$ 6,246,852</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.

BERGEN'S PROMISE, INC.
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2022

<u>Pass-through Grantor/Program Title</u>	<u>Contract Number</u>	<u>Grant Award</u>	<u>Contract Period</u>	<u>State Contract Expenditures</u>
State:				
State of New Jersey Department of Children and Families				
Division of Children's System of Care	22AIBR	\$ 588,177	07/01/2021 - 06/30/2022	\$ 588,177
	N/A	33,545	07/01/2021 - 06/30/2022	33,545
				<u>\$ 621,722</u>

BERGEN'S PROMISE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of state financial assistance includes the government expenditure activity of Bergen's Promise, Inc. ("Organization"), and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - SUBRECIPIENTS:

During the year ended June 30, 2022, the Organization did not provide any funds to subrecipients.

NOTE 3 - INDIRECT COSTS:

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

NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:

As of June 30, 2022, the Organization did not have any federal or state loan or loan guarantee programs.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Bergen's Promise, Inc.
Hackensack, 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, the financial statements of Bergen's Promise, Inc. ("Organization"), which comprise the statement of financial position as of June 30, 2022, 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, and have issued our report thereon dated March 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, 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 an opinion on the financial statements, but not for the purpose of expressing our 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-01 that we consider to be a material weakness.

Report on Compliance and Other Matters

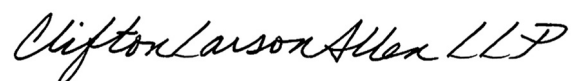
As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Bergen's Promise, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Bergen's Promise, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Bergen's Promise, Inc. response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and on 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

Livingston, New Jersey
March 14, 2023

BERGEN'S PROMISE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

I. Summary of Auditors' Results

Financial Statements

The auditors' report issued on the financial statements of Bergen's Promise, Inc., was unmodified.

Internal control over financial reporting:

- | | | |
|--|-------------------|------------------|
| • Material weaknesses identified? | <u> X </u> Yes | <u> </u> No |
| • Significant deficiencies identified that are not considered to be material weaknesses? | <u> </u> Yes | <u> X </u> No |

Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No
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II. Financial Statement Findings

Material Weakness

2022-01: Recording of Deferred Compensation Plan and Net Assets With Donor Restrictions

Criteria: During certain audit procedures, it was identified that the deferred compensation plan was not recorded as an asset and related liability, and also the net assets with donor restrictions was not properly stated for certain state reserve requirements.

Condition: The Organization did not have procedures in place for the proper recording of the deferred compensation plan and net assets with donor restrictions.

Cause: The Organization's designed internal control procedures for proper financial statement reporting did not include procedures to ensure that assets, liabilities and net assets were properly recorded.

Effect: As a result, the assets and liabilities were understated for the deferred compensation plan and the net assets with donor restriction were understated for the certain state reserve requirements.

Recommendation: The Organization should implement a process to ensure that all activity relating to the deferred compensation plan and net assets is recorded properly.

Views of Responsible Officials: The Organization concurs with this finding and has implemented a process to track the deferred compensation liability and the net assets with donor restrictions going forward.