

BERGEN'S PROMISE, INC.
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEARS ENDED JUNE 30, 2023 AND 2022



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bergen's Promise, Inc., which comprise the statement of financial position as of June 30, 2023, and the related statement of activities and changes in net assets, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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 (GAAS) 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023, Bergen's Promise, Inc. and Subsidiary 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.

Other Matter

The financial statements of the Organization as of June 30, 2022 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 March 14, 2023, expressed an unmodified opinion on those statements.



**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 of America, the financial statements of Bergen's Promise, Inc. ("Organization"), which comprise the statement of financial position as of December 31, 2023, 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 and have issued our report thereon dated January 2, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted GAAS 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, including omissions, 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 GAAS 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 state financial assistance, as required by 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 state financial assistance 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 January 2, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Livingston, New Jersey
January 2, 2024

BERGEN'S PROMISE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 14,686,222	\$ 9,766,487
Accounts Receivable - Medicaid	1,701,085	1,722,339
Prepaid Expenses and Other Current Assets	<u>337,637</u>	<u>175,031</u>
Total Current Assets	16,724,944	11,663,857
RESTRICTED CASH	58,462	57,235
PROPERTY AND EQUIPMENT		
Fixed Assets	1,307,869	1,330,053
Less: Accumulated Depreciation	<u>(949,373)</u>	<u>(1,024,917)</u>
Property and Equipment, Net	358,496	305,136
Operating ROU Asset	4,915,636	-
Financing ROU Asset	8,549	-
INVESTMENTS - DEFERRED COMPENSATION PLAN	<u>242,222</u>	<u>187,326</u>
Total Assets	<u><u>\$ 22,308,309</u></u>	<u><u>\$ 12,213,554</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,370,214	\$ 899,395
Current lease liability - Operating	718,739	-
Current lease liability - Financing	10,197	-
Refundable Advance - State of New Jersey	<u>-</u>	<u>150,000</u>
Total Current Liabilities	2,099,150	1,049,395
OTHER LIABILITIES		
Deferred Rent	-	819,361
Deferred Grant	74,604	-
Deferred Compensation	<u>242,222</u>	<u>187,326</u>
	316,826	1,006,687
LONG-TERM LIABILITIES		
Long-term lease liability- Operating	<u>4,985,834</u>	<u>-</u>
Total Liabilities	7,401,810	2,056,082
NET ASSETS		
Without Donor Restrictions	14,513,210	9,706,628
With Donor Restrictions	<u>393,289</u>	<u>450,844</u>
Total Net Assets	<u>14,906,499</u>	<u>10,157,472</u>
Total Liabilities and Net Assets	<u><u>\$ 22,308,309</u></u>	<u><u>\$ 12,213,554</u></u>

See accompanying Notes to Financial Statements.

BERGEN'S PROMISE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
SUPPORT AND REVENUES			
Medicaid Reimbursement	\$ 19,602,935	\$ -	\$ 19,602,935
Government Grants and Contracts	645,650	145,490	791,140
Other Income	55,758	-	55,758
Interest Income	264,898	-	264,898
Total	20,569,241	145,490	20,714,731
Net Assets Released from Restriction	203,045	(203,045)	-
Total Support and Revenue	20,772,286	(57,555)	20,714,731
FUNCTIONAL EXPENSES			
Care Management	11,354,287	-	11,354,287
Management and General	4,611,417	-	4,611,417
Total Functional Expenses	15,965,704	-	15,965,704
CHANGE IN NET ASSETS	4,806,582	(57,555)	4,749,027
Net Assets - Beginning of Year	9,706,628	450,844	10,157,472
NET ASSETS - END OF YEAR	<u>\$ 14,513,210</u>	<u>\$ 393,289</u>	<u>\$ 14,906,499</u>

See accompanying Notes to Financial Statements.

BERGEN'S PROMISE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
SUPPORT AND REVENUES			
Medicaid Reimbursement	\$ 17,820,664	\$ -	\$ 17,820,664
Government Grants and Contracts	564,238	57,484	621,722
Other Income	17,296	-	17,296
Interest Income	20,962	-	20,962
Total	<u>18,423,160</u>	<u>57,484</u>	<u>18,480,644</u>
Net Assets Released from Restriction	<u>123,382</u>	<u>(123,382)</u>	<u>-</u>
Total Support and Revenue	18,546,542	(65,898)	18,480,644
FUNCTIONAL EXPENSES			
Care Management	11,539,756	-	11,539,756
Management and General	1,760,804	-	1,760,804
Total Functional Expenses	<u>13,300,560</u>	<u>-</u>	<u>13,300,560</u>
CHANGE IN NET ASSETS	5,245,982	(65,898)	5,180,084
Net Assets - Beginning of Year	<u>4,460,646</u>	<u>516,742</u>	<u>4,977,388</u>
NET ASSETS - END OF YEAR	<u><u>\$ 9,706,628</u></u>	<u><u>\$ 450,844</u></u>	<u><u>\$ 10,157,472</u></u>

See accompanying Notes to Financial Statements.

BERGEN'S PROMISE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	<u>Care Management</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 6,796,025	\$ 2,749,147	\$ 9,545,172
Payroll Taxes and Fringe Benefits	2,333,184	962,176	3,295,360
Total	<u>9,129,209</u>	<u>3,711,323</u>	<u>12,840,532</u>
Professional Services	406,371	164,386	570,757
Occupancy	762,468	308,436	1,070,904
Telephone	212,419	85,930	298,349
Office Expenses	14,752	5,968	20,720
Staff Development	76,639	31,002	107,641
Repairs and Maintenance	86,245	34,888	121,133
Advertising	50,162	20,291	70,453
Printing	18,433	7,456	25,889
Insurance	46,930	18,984	65,914
Depreciation and Amortization	83,854	33,921	117,775
Client Expenses	358,672	145,091	503,763
Community development	94,913	38,394	133,307
Interest	421	170	591
Miscellaneous	<u>12,799</u>	<u>5,177</u>	<u>17,976</u>
Total Expenses	<u><u>\$ 11,354,287</u></u>	<u><u>\$ 4,611,417</u></u>	<u><u>\$ 15,965,704</u></u>

See accompanying Notes to Financial Statements.

BERGEN'S PROMISE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	<u>Care Management</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 6,855,512	\$ 765,511	\$ 7,621,023
Payroll Taxes and Fringe Benefits	2,178,245	242,633	2,420,878
Total	<u>9,033,757</u>	<u>1,008,144</u>	<u>10,041,901</u>
Professional Services	352,444	526,853	879,297
Occupancy	953,268	106,445	1,059,713
Telephone	102,318	11,425	113,743
Office Expenses	117,027	13,068	130,095
Office Equipment and Internet	19,285	2,153	21,438
Staff Development	78,866	78,071	156,937
Repairs and Maintenance	42,643	4,762	47,405
Travel	36,735	-	36,735
Advertising	94,640	-	94,640
Printing	19,030	-	19,030
Insurance	54,608	9,883	64,491
Depreciation	114,204	-	114,204
Client Expenses	468,077	-	468,077
COVID Expenses	15,636	-	15,636
Project Expenses	17,876	-	17,876
Miscellaneous	<u>19,342</u>	<u>-</u>	<u>19,342</u>
Total Expenses	<u><u>\$ 11,539,756</u></u>	<u><u>\$ 1,760,804</u></u>	<u><u>\$ 13,300,560</u></u>

See accompanying Notes to Financial Statements.

BERGEN'S PROMISE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,749,027	\$ 5,180,084
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	92,130	114,204
Deferred Rent	-	168,809
Investments - Deferred Compensation Plan	(54,896)	(13,600)
Noncash Lease Expense	(28,776)	-
Changes in Certain Assets and Liabilities:		
Accounts Receivable	21,254	976,709
Prepaid Expenses and Other Current Assets	(162,606)	(91,882)
Accounts Payable and Accrued Expenses	470,819	(71,559)
Deferred Grant	74,604	-
Deferred Compensation Liability	54,896	13,600
Net Cash Provided by Operating Activities	<u>5,216,452</u>	<u>6,276,365</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(145,490)	(57,484)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Refundable advance	<u>(150,000)</u>	<u>-</u>
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	4,920,962	6,218,881
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>9,823,722</u>	<u>3,604,841</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 14,744,684</u></u>	<u><u>\$ 9,823,722</u></u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and Cash Equivalents	\$ 14,686,222	\$ 9,766,487
Restricted Cash	58,462	57,235
Total Cash, Cash Equivalents, and Restricted Cash	<u><u>\$ 14,744,684</u></u>	<u><u>\$ 9,823,722</u></u>

See accompanying Notes to Financial Statements.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 NATURE OF ORGANIZATION

Bergen's Promise, Inc. (Organization), is a New Jersey private, nonprofit 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 \$58,462 and \$57,235 at June 30, 2022 and 2023, respectively.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022, 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, 2023 and 2022.

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.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value (Continued)

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.

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 \$242,222 and \$187,326, as of June 30, 2023 and 2022, 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.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 \$71,000 and \$95,000 for the years ended June 30, 2023 and 2022, 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 2023 and 2022. At June 30, 2023 and 2022, there are no significant income tax uncertainties.

Adoption of New Accounting Standard – Leases

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

In February 2016, the Financial Accounting Standards Board issued accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes is the recognition of ROU asset 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 the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard – Leases (Continued)

The Organization adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provision of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2023, are made under prior lease guidance in FASB ASC 840.

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 expedient 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 July 1, 2022, a lease liability at the carrying amount of the capital lease obligations on June 30, 2023, of \$10,198 and a right-of-use asset at the carrying amount of the capital lease asset of \$34,194. The Organization also recognized on July 1, 2022, a lease liability of \$5,704,571, which represents the present value of the remaining operating lease payments of \$3,249,025, discounted using the Organization's risk-free discount rate comparable to the corresponding lease terms, and a right of use-asset of \$5,566,392.

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

Leases

The Organization leases office space and equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in the operating lease right-of-use assets, other current liabilities, and operating leases on the statements of financial position.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and the lease liabilities present 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. As most leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The 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 the leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization 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.

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, 2023, through January 2, 2024, the date that the financial statements were available to be issued.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 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 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023 and 2022:

	2023	2022
Vehicles	\$ 396,939	\$ 396,939
Equipment	224,071	224,071
Furniture and Fixtures	531,720	686,030
Leasehold Improvements	155,139	23,013
Total	1,307,869	1,330,053
Less: Accumulated Depreciation	949,373	1,024,917
Property and Equipment, Net	<u>\$ 358,496</u>	<u>\$ 305,136</u>

NOTE 5 INVESTMENTS - DEFERRED COMPENSATION PLAN

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

June 30, 2023			
	Level 1	Level 2	Level 3
Investments Held for Deferred Compensation:			
Money Market	<u>\$ 242,222</u>	<u>\$ -</u>	<u>\$ -</u>
			<u>\$ 242,222</u>
June 30, 2022			
	Level 1	Level 2	Level 3
Investments Held for Deferred Compensation:			
Money Market	\$ 94,806	\$ -	\$ -
Corporate Bond	92,520	-	-
Total	<u>\$ 187,326</u>	<u>\$ -</u>	<u>\$ -</u>
			<u>\$ 187,326</u>

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6 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%, 8.25% and 4.75% respectively, as of June 30, 2023 and 2022. The Organization or bank may cancel the agreement at any time. There was no outstanding balance or interest expense at June 30, 2023 and 2022.

NOTE 7 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, 2023 and 2022, was \$244,550 and \$245,492, 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.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

The following net assets with donor restrictions are available for the following purposes at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Investment in Property and Equipment to Absorb Subsequent Depreciation Expenses on Assets with Government Funds Purchased	\$ 287,083	\$ 309,267
Funds Reserved to Maintain Staffing Levels as Required by the State	<u>106,206</u>	<u>141,577</u>
Total	<u><u>\$ 393,289</u></u>	<u><u>\$ 450,844</u></u>

The following net assets with donor restrictions were released from restrictions at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Investment in Property and Equipment to Absorb Subsequent Depreciation Expenses on Assets with Government Funds Purchased	\$ 167,674	\$ 114,204
Funds Reserved to Maintain Staffing Levels as Required by the State	<u>35,371</u>	<u>9,178</u>
Total	<u><u>\$ 203,045</u></u>	<u><u>\$ 123,382</u></u>

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 9 LEASES – ASC 842

The Organization leases office space for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2030. In the normal course of business, it is expected that the leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements usually require the Organization to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning the Organization's leases:

Lease Costs:

Finance Lease Cost:

Amortization of Right-of-Use Assets	\$ 25,646
Interest on Lease Liabilities	592
Operating Lease Costs	823,730
Short-Term Lease Cost	473,532
Total Lease Costs	<u>\$ 849,968</u>

Other Information:

Operating Cash Flow from Financing Leases	592
Operating Cash Flow from Operating Leases	854,154
Financing Cash Flow from Financing Leases	23,996
Right-of-Use Assets Obtained in Exchange for New Financing Lease Liabilities	34,194
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	5,566,392
Weighted-Average Remaining Lease Term - Financing Lease	0.3 years
Weighted-Average Remaining Lease Term - Operating Lease	6.6 years
Weighted-Average Discount Rate - Financing Lease	2.79%
Weighted-Average Discount Rate - Operating Lease	2.88

The Organization classifies the total undiscounted lease payments that are used in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Financing Leases</u>	<u>Operating Leases</u>
2024	\$ 10,245	\$ 871,559
2025	-	888,964
2026	-	906,369
2027	-	950,814
2028	-	991,193
Thereafter	-	1,671,566
Total Lease Payments	\$ 10,245	\$ 6,280,465
Less: Interest	(48)	(575,892)
Present Value of Lease Liabilities	<u>\$ 10,197</u>	<u>\$ 5,704,573</u>

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 LEASES – ASC 840

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 \$823,730 for the years ended June 30, 2023

Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
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>

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 95% of total revenues for the years ended June 30, 2023 and 2022. Such support is subject to financial and compliance requirements, and audits by the grantor and by Medicaid.

BERGEN'S PROMISE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.

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,	
	2023	2022
Cash and Cash Equivalents	\$ 14,686,222	\$ 9,766,487
Accounts Receivable - Medicaid	1,701,085	1,722,339
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 16,387,307</u>	<u>\$ 11,488,826</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, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

<u>Pass-Through Grantor/Program Title</u>	<u>CFDA Number</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	N/A	23AIBR N/A	\$ 632,460 -	07/01/2022 - 06/30/2023 07/01/2022 - 06/30/2023	\$ 632,460 <u>68,678</u>
Total					<u><u>\$ 701,138</u></u>

See accompanying Notes to Schedule of Expenditures of State Financial Assistance.

BERGEN'S PROMISE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2023

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* and New Jersey Office of Management and Budget Circular Letter 15-08. 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, 2023, 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

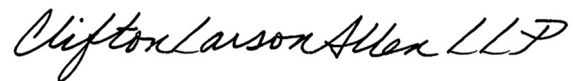
As of June 30, 2023, the Organization did not have any state loan or loan guarantee programs.

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Livingston, New Jersey
January 2, 2024

BERGEN'S PROMISE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditors' Results

Financial Statements

- | | | |
|---|----------------------|---------------------|
| 1. Type of auditors' report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | <u> X </u> Yes | <u> </u> No |
| • Significant deficiency(ies) 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 |

Section II – Financial Statement Findings

2023-01: Recording of Net Assets , Accounts Payable, Revenue, and Depreciation

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: The Organization did not have procedures in place for the proper recording of net assets, accounts payable, revenue, and depreciation.

Criteria: During certain audit procedures, it was identified that recordings for net assets were not properly rolled, and accounts payable, revenue, and depreciation was not properly recorded.

Effect: As a result, the assets and liabilities were understated for accounts payable and depreciation, net assets not properly recorded, and revenue was overstated.

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

Recommendation: The Organization should implement a process to ensure that all activity is recorded properly.

Views of Responsible Officials and Planned Corrective Actions: The Organization concurs with this finding and has implemented a process to track accounts payable, revenue, depreciation, and net assets going forward.