

NORTHEAST PARENT AND CHILD SOCIETY, INC.

**Financial Statements as of
June 30, 2022
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

November 10, 2022

To the Board of Directors of
Northeast Parent and Child Society, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Northeast Parent and Child Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities cash flows, and functional expenses 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 Northeast Parent and Child Society, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northeast Parent and Child Society, 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.

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 Northeast Parent and Child Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT

(Continued)

Auditor's 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 Northeast Parent and Child Society, 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 Northeast Parent and Child Society, 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.

Report on Supplemental 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 federal awards, 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 the information presented in Schedules I, are 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Summarized Comparative Information

We have previously audited Northeast Parent and Child Society, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022, on our consideration of Northeast Parent and Child Society, 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 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 Northeast Parent and Child Society, 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 Northeast Parent and Child Society, Inc.'s internal control over financial reporting and compliance.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,790,696	\$ 5,951,802
Accounts receivable, net	7,338,254	6,864,763
Mortgage note receivable, current portion	179,992	-
Due from affiliates	172,869	119,793
Investments	3,141,808	3,582,819
Prepaid expenses and inventory	<u>54,088</u>	<u>14,025</u>
Total current assets	14,677,707	16,533,202
INVESTMENTS, restricted	627,178	696,103
PROPERTY AND EQUIPMENT	10,633,137	11,855,162
OTHER ASSETS:		
Mortgage note receivable, net of current portion	1,215,842	-
Deposits	8,177	18,694
Beneficial interest in trusts	<u>1,660,746</u>	<u>2,026,124</u>
Total other assets	<u>2,884,765</u>	<u>2,044,818</u>
	<u>\$ 28,822,787</u>	<u>\$ 31,129,285</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 742,911	\$ 993,372
Due to affiliates	85,491	310,310
Accrued salaries and expenses	2,466,101	2,802,486
Refundable advances	423,170	276,495
Paycheck protection program	-	4,235,285
Capital lease obligations, current portion	393,713	413,856
Mortgages payable, current portion	-	55,822
Bonds payable, current portion	<u>345,497</u>	<u>330,497</u>
Total current liabilities	<u>4,456,883</u>	<u>9,418,123</u>
LONG-TERM LIABILITIES:		
Deferred revenue	362,702	-
Capital lease, net of current portion	1,623,849	2,017,562
Mortgages payable, net of current portion	-	473,418
Bonds payable, net of current portion	<u>7,768,860</u>	<u>8,099,408</u>
Total long-term liabilities	<u>9,755,411</u>	<u>10,590,388</u>
TOTAL LIABILITIES	<u>14,212,294</u>	<u>20,008,511</u>
NET ASSETS		
Without donor restrictions	12,796,460	8,922,731
With donor restrictions	<u>1,814,033</u>	<u>2,198,043</u>
TOTAL NET ASSETS	<u>14,610,493</u>	<u>11,120,774</u>
	<u>\$ 28,822,787</u>	<u>\$ 31,129,285</u>

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022 (With Comparative Totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:				
Program service fees	\$ 34,167,327	\$ -	34,167,327	\$ 35,867,047
Paycheck Protection Program	3,872,583	-	3,872,583	614,408
Fundraising	83,368	-	83,368	131,965
Change in value of beneficial interest in trusts	-	(365,378)	(365,378)	353,591
Rent	298,566	-	298,566	360,417
Miscellaneous	125,550	-	125,550	365,657
	<u>38,547,394</u>	<u>(365,378)</u>	<u>38,182,016</u>	<u>37,693,085</u>
EXPENSE:				
Program service	32,046,225	-	32,046,225	34,192,447
Management and general	2,776,865	-	2,776,865	2,675,342
Fundraising and non-operating	314,334	-	314,334	402,082
	<u>35,137,424</u>	<u>-</u>	<u>35,137,424</u>	<u>37,269,871</u>
OPERATING GAIN (LOSS)	3,409,970	(365,378)	3,044,592	423,214
NON-OPERATING REVENUE (EXPENSE):				
Investment income (loss), net	(435,698)	(18,632)	(454,330)	749,475
Gain on disposition of property and equipment	899,457	-	899,457	2,800
	<u>463,759</u>	<u>(18,632)</u>	<u>445,127</u>	<u>752,275</u>
CHANGE IN NET ASSETS	3,873,729	(384,010)	3,489,719	1,175,489
NET ASSETS - beginning of year	<u>8,922,731</u>	<u>2,198,043</u>	<u>11,120,774</u>	<u>9,945,285</u>
NET ASSETS - end of year	<u>\$ 12,796,460</u>	<u>\$ 1,814,033</u>	<u>\$ 14,610,493</u>	<u>\$ 11,120,774</u>

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022 (With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 3,489,719	\$ 1,175,489
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Paycheck Protection Program	(4,235,285)	(614,408)
Depreciation	861,698	849,726
Amortization of bond premium	(5,497)	(5,497)
Amortization of capital lease	413,856	435,031
Interest expense - bond issuance costs	14,949	19,249
Gain on disposition of property and equipment	(899,457)	(2,800)
Loss (gain) on investments	545,388	(693,522)
Change in value of beneficial interest in trusts	365,378	(353,591)
Changes in:		
Accounts receivable	(473,491)	980,807
Due from affiliate	(53,076)	132,600
Prepaid expenses and inventory	(40,063)	43,145
Deposits	10,517	-
Accounts payable	(323,802)	332,568
Due to affiliate	(224,819)	130,370
Accrued salaries and expenses	(336,385)	672,376
Refundable advances	146,675	(25,700)
Due to funding sources	362,702	(341,767)
Net cash flow from operating activities	<u>(380,993)</u>	<u>2,734,076</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Issuance of mortgage note receivable	(1,400,000)	-
Payments received on mortgage note receivable	4,166	-
Purchase of property and equipment	(490,161)	(188,885)
Proceeds from sale of property and equipment	1,409,430	2,800
Purchase of investments	(979,936)	(596,904)
Proceeds from sale of investments	944,484	500,593
Net cash flow from investing activities	<u>(512,017)</u>	<u>(282,396)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Net proceeds (repayments on) line of credit	-	(314,413)
Repayment of bonds payable	(325,000)	(305,000)
Repayment of capital lease obligations	(413,856)	(435,031)
Repayment of notes payable	-	(1,000,000)
Repayment of mortgages payable	(529,240)	(213,376)
Net cash flow from financing activities	<u>(1,268,096)</u>	<u>(2,267,820)</u>
CHANGE IN CASH	(2,161,106)	183,860
CASH - beginning of year	<u>5,951,802</u>	<u>5,767,942</u>
CASH - end of year	<u>\$ 3,790,696</u>	<u>\$ 5,951,802</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest Paid	<u>\$ 465,223</u>	<u>\$ 524,757</u>
Purchase of property and equipment included in Accounts payable	<u>\$ 73,341</u>	<u>\$ 106,489</u>

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

(With Comparative Totals for 2021)

	Program	Management and General	Fundraising and Non-operating	2022 Total	2021 Total
Salaries	\$ 18,251,293	\$ -	\$ 13,894	\$ 18,265,187	\$ 18,603,303
Employee health and retirement benefits	1,982,797	-	1,980	1,984,777	2,611,668
Payroll taxes	<u>1,778,603</u>	<u>-</u>	<u>1,972</u>	<u>1,780,575</u>	<u>1,813,781</u>
Total compensation and benefits	<u>22,012,693</u>	<u>-</u>	<u>17,846</u>	<u>22,030,539</u>	<u>23,028,752</u>
Boarding home	2,998,938	-	-	2,998,938	2,885,262
Charges from parent organization	-	2,619,528	-	2,619,528	2,481,370
Purchase of services	1,795,478	5,461	16,013	1,816,952	2,120,110
Rent	594,362	138,739	225,492	958,593	1,062,217
Depreciation and amortization	856,306	1,277	19,063	876,646	868,973
Auto and transportation	642,048	82	2,084	644,214	569,974
Insurance	589,982	-	219	590,201	556,761
Interest	439,925	-	1,779	441,704	492,779
Allowances - uncollectible receivables	411,599	-	-	411,599	1,022,249
Supplies and equipment	312,174	44	1,628	313,846	618,759
Utilities and property taxes	236,428	-	7,112	243,540	261,700
Publicity	270,757	-	-	270,757	251,805
Food	217,087	-	-	217,087	221,376
Systems and software	209,132	-	(28)	209,104	229,365
Telecommunications	171,285	7,563	14,081	192,929	237,933
Legal and professional fees	122,742	-	357	123,099	22,820
Recreation	84,500	-	-	84,500	56,801
Repair and maintenance	75,408	-	822	76,230	114,984
Office supplies and expense	31,856	-	86	31,942	31,883
Allowances - children & parents	27,883	-	-	27,883	41,494
Clothing	20,557	-	-	20,557	24,427
Dues, licenses and permits	8,459	775	143	9,377	10,348
Scholarship awards	-	-	7,314	7,314	-
Bedding	4,107	-	7	4,114	10,425
Postage and shipping	2,818	-	2	2,820	3,020
Subscription and publications	2,727	-	-	2,727	1,953
Staff development	1,600	-	-	1,600	25,468
School expense	174	-	-	174	135
Conferences and administrative expense	<u>(94,800)</u>	<u>3,396</u>	<u>314</u>	<u>(91,090)</u>	<u>16,728</u>
	<u>\$ 32,046,225</u>	<u>\$ 2,776,865</u>	<u>\$ 314,334</u>	<u>\$ 35,137,424</u>	<u>\$ 37,269,871</u>

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

1. THE SOCIETY

Northeast Parent and Child Society, Inc. (the Society) is a New York non-profit corporation that was formed for the purpose of providing therapeutic, educational and other related services to children and their families, through the operation of residential, non-residential and supporting service programs. The Society is exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Society's financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash

Cash includes bank demand deposit accounts and investments in highly liquid debt instruments with an initial maturity of three months or less. The Society's cash balances may at times exceed federally insured limits. The Society has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Accounts Receivable

Accounts receivable include uncollateralized obligations from numerous sources including Medicaid; local, New York State; contracts; and third-party reimbursement programs. Substantially all programs are billed on a monthly basis under customary payment terms associated with the Society's various funding sources. Payment is normally received within thirty to sixty days. Accounts for which no payment has been received for several months are considered delinquent and customary collection efforts are begun. After all collection efforts are exhausted, the account is written off.

The estimated uncollectible amounts are generally considered implicit price concessions that are a direct reduction of Accounts receivable. Implicit price concessions are \$350,000 as of June 30, 2022 and 2021.

Mortgage Note Receivable

Mortgage note receivable consist of a non-interest bearing mortgage secured by real estate and payable in monthly installments over the life of the mortgage. The mortgages are recorded at the gross amount of payments to be received over the life of the mortgage. Management has elected not to discount the mortgage due to the immaterial impact on the financial statements. Mortgage note receivable is periodically reviewed for collectability based on past history and current economic conditions. A loan is considered impaired when contractual payments are greater than 90 days past due and it is probable the Society will be unable to collect the scheduled principal payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Note Receivable (Continued)

After all collection efforts are exhausted, any amounts deemed uncollectible based upon an assessment of the debtor's financial condition are written off. No allowance has been recorded as of June 30, 2022, and there were no write offs during 2022.

Investments

The Society records investments in equities, mutual funds, and debt securities at their fair value. Realized and unrealized gains and losses, net with investment fee, are included in the change in net assets in the accompanying statements of activities. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the accompanying financial statements.

Inventory

Inventory consists of food supplies on hand and is stated at the lower of cost (first in, first out) or net realizable value.

Restricted Investments

The Dormitory Authority of the State of New York (DASNY) Bond Funds were created as the result of the issuance of the Series 2008 A-1 for the construction of a new Children's Home. These funds were held by a Trustee and payments were made only upon proper authorization.

Debt Service Funds – Payments of principal and interest are made from these funds.

Debt Service Reserve Funds – These funds will be used to augment the funds in the Debt Service Funds if the amounts in the Debt Service Funds are insufficient to make required payments.

Property and Equipment

All expenditures for land, buildings, and equipment in excess of \$5,000 with a useful life of two years or more, are capitalized and recorded at cost. Property and equipment that is donated is recorded at its fair value at the time of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated lives used in determining depreciation are as follows:

Land improvements	20 years
Buildings	20 - 40 years
Leasehold improvements	3 - 10 years
Equipment	3 - 10 years
Automobiles	3 - 10 years

Building and equipment under capital lease is capitalized at the present value of future minimum lease payments at the inception of the lease. Assets subject to capital leases are amortized over either the lease term or the life of the related assets, depending upon available purchase options and lease renewal features. Amortization related to assets subject to capital leases is included within depreciation expense.

Maintenance and repairs are charged to operations when incurred; betterments and renewals are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation are relieved, and any gain or loss is included in operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets

The Society assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amount as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized in 2022 and 2021.

Beneficial Interest in Perpetual Trusts

The Society is the beneficiary of five perpetual trusts. The Society has the right to receive the income earned on the trusts' assets in perpetuity but will never receive the assets held in the trust. The beneficial interest is recorded at the fair value of the underlying assets, based upon the market value of the investments held by trusts. The net increase or decrease in the fair value of the underlying assets is reflected in the statement of activities as change in value of beneficial interests in trusts, within the net assets with donor restrictions fund class.

Refundable Advances

The Society receives advances from New York State funding agencies. If the amounts received are not spent or are in excess of maximum funding limits during the period they are received, they are reported as refundable advances in the accompanying financial statements. At the funding agencies' discretion, the amounts will be used to offset future amounts receivable or recouped against future payments. Accordingly, these amounts have been reflected as a liability in the accompanying financial statements. During the years ended June 30, 2022 and 2021, no amount was paid back to the funding agencies.

Debt Issuance Costs

Debt issuance costs are recognized as interest expense on straight-line basis over the periods of the related debt. The unamortized issuance costs were \$178,142 and \$193,091 at June 30, 2022 and 2021, respectively, and are netted against bonds payables on the statements of financial position. There were \$14,949 and \$19,249 of amortization expense for the years ended June 30, 2022 and 2021, respectively.

Financial Reporting

The Society reports its activities and the related net assets using two net asset categories: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include resources which are available for the support of the Society's operating activities and are not subject to donor-imposed stipulations.

Net assets with donor restrictions represent donor-imposed restrictions that permit the Society to use up or expend the donated assets as specified. This restriction is satisfied by the passage of time or by actions of the Society. This classification of net assets includes the beneficial interest in perpetual trusts as noted above. These restrictions are described in Note 11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Third-Party Reimbursement and Revenue Recognition

The Society receives substantially all of its revenue for services provided to approved individuals from third-party agencies, primarily the New York State Department of Health, the New York State Office of Children and Family Services, New York Office of Mental Health, and the New York State Education Department. Operating revenue is recognized at amounts that reflects the consideration to which they expect to be entitled in exchange for providing residential and educational services. These amounts are due from third-party payors (including state and local government agencies and school districts) based upon tentative rates and they include variable consideration retroactive revenue adjustments due to settlement of audits, reviews and investigations. These rates are initially estimated based upon prior historical costs. These initial rates are subsequently adjusted to actual based upon the filing of cost reports.

Revenue is recognized when the Society satisfies their performance obligations under contracts by transferring services to clients at a point in time. The Society's performance obligations are to provide residential, educational, and therapeutic services. The transaction price is based on established charges for services provided determined using the output method. These rates are determined by allowable expenditures in rate setting periods. The reimbursement rate may also change after the cost report is audited by funding sources.

The Society's policy is to recognize retroactive rate adjustments and audit settlements, if any, in the period in which they are finalized by the funding sources.

The Society reviews individual contracts at the time of performance, in order to determine estimated uncollectable accounts due from third party payors and records these implicit price concessions as a direct reduction to revenue. Estimates of implicit price concessions are determined based on historical collection experience using a portfolio approach as a practical expedient to account for the contracts as a collective group.

Statement of Activities

The statement of activities is divided into operating and non-operating components. All revenue and expenses directly associated with the day-to-day operations are included in income or loss from operations. Contributions, bequests, investment income and other non-operating items are classified as non-operating income or expense.

Contributions

The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If restricted support is received and used in the same year, it is reported as net assets without donor restrictions.

The Society reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Society reports donor restricted contributions as unrestricted support provided that the restrictions are met in the same year the contributions are received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

Donated materials and supplies are recorded as contributions at estimated fair value at the date of gift. The Society receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. The value of the services have not been reflected in these financial statements because they do not meet the criteria for recognition.

Fair Value Measurement – Definition and Hierarchy

Fair value is defined as the price 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 and GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodology used for the Society's assets measured at fair value is to value the investments at quoted market prices on the last business day of the fiscal year.

The Society has financial instruments in the accompanying financial statements, including cash and equivalents and investments including money market funds, debt securities, equities, mutual funds, and beneficial interest in perpetual trusts. The carrying value of investments in equities, and mutual funds notes are a reasonable approximation of fair value due to the short-term nature of the instruments and are considered to be a level 1 measurement. The fair value of the corporate debt securities, and beneficial interest in perpetual trusts are determined to be a level 2 measurement using the market approach as the carrying amount of these investments approximates fair value based on the value of similar assets at which the Society could invest.

Functional Allocation of Expenses

The Society's directly identifiable expenses related to a singular program or supporting service are charged fully and directly. Expenses related to more than one program or supporting service are charged as such using specific allocation methods. Fringe benefit expenses are charged to departments based on actual salary expenses, occupancy related expenses are charged to departments based on square footage, and parent organization charges from Northern Rivers are charged to departments based on a ratio value of applicable expense.

Income Taxes

The Society is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. In addition, the Society qualifies for charitable contribution deductions and has been classified as an organization other than a private foundation.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional allocation. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements as of and for the year ended June 30, 2021, from which the summarized information was derived.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Society is substantially supported by grants and support from New York State funding sources. The following reflects the Society's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 3,790,696	\$ 5,951,802
Accounts receivable, net	7,691,115	6,864,763
Investments	3,768,986	4,278,922
Beneficial interest in trusts	<u>1,660,746</u>	<u>2,026,124</u>
Total financial assets	16,911,543	19,121,611
Less: those unavailable for general expenditure due to:		
Donor restrictions	(1,814,033)	(2,198,043)
Debt service reserves	<u>(497,527)</u>	<u>(540,506)</u>
 Total financial assets available	 <u>\$ 14,599,983</u>	 <u>\$ 16,383,062</u>

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due. The ability to meet cash needs is highly dependent on funding from government agencies and the timely collection of accounts receivable. The Society has designed procedures to bill and collect from these payors as quickly as possible, however, this can sometimes be difficult to predict.

Should the Society need to, they can manage vendor relationships to extend payment terms, utilize their available line-of-credit, or request support from one of their related parties.

4. MORTGAGE NOTE RECEIVABLE

Mortgage note receivable consist of a non-interest bearing mortgage secured by real estate and is payable in monthly installments over the life of the mortgage. The mortgage was entered into in May of 2022 for \$1,400,000, with a down payment of \$130,000 due at signing and \$4,166 monthly payments due over the life of the 60 month mortgage term. An additional down payment of \$150,000 is due at the 36 month and a balloon payment of \$870,040 is due at the 60 month period of the mortgage. Management has elected not to discount the mortgage due to its immaterial impact on the financial statements. Mortgage note receivable outstanding as of June 30, 2022 and 2021 was \$1,395,834 and \$0, respectively.

Maturities of the non-interest bearing mortgage note receivable as of June 30, 2022 are as follows:

2023	\$ 179,992
2024	49,992
2025	199,992
2026	49,992
2027	<u>915,866</u>
Total	<u>\$ 1,395,834</u>

5. INVESTMENTS

A summary of investments consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Investment Management Account:		
Fixed Income Funds	\$ 1,052,612	\$ 1,147,698
Common Stock	2,023,932	2,352,062
Cash Equivalents	<u>65,264</u>	<u>83,059</u>
Total investment management account	<u>3,141,808</u>	<u>3,582,819</u>
Restricted Gifts:		
Fixed Income Funds	43,298	49,854
Common Stock	83,595	102,738
Cash Equivalents	<u>2,758</u>	<u>3,005</u>
Total restricted gifts	<u>129,651</u>	<u>155,597</u>
DASNY Funding Project - Residence:		
U.S. Government	497,527	476,126
Fixed income	-	64,380
Total DASNY funding project	<u>497,527</u>	<u>540,506</u>
	<u>\$ 3,768,986</u>	<u>\$ 4,278,922</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 99,030	\$ 99,030
Buildings and improvements	20,195,285	21,259,624
Furniture and equipment	2,725,767	2,757,612
Vehicles	887,237	544,342
Construction in progress	77,458	47,117
Less: accumulated depreciation	<u>(15,369,202)</u>	<u>(15,283,981)</u>
	<u>8,615,575</u>	<u>9,423,744</u>
Assets under capital lease	3,804,420	3,804,420
Less: accumulated amortization	<u>(1,786,858)</u>	<u>(1,373,002)</u>
	<u>\$ 10,633,137</u>	<u>\$ 11,855,162</u>

Depreciation and amortization expense was \$861,698 and \$849,726 for the years ended June 30, 2022 and 2021, respectively.

7. LINE-OF-CREDIT

The Society has a revolving line-of-credit with Key Bank, totaling approximately \$3,000,000, which expires May 31, 2023. The line bears interest at the adjusted daily Secured Overnight Financing Rate (SOFR) index plus 0.10% index adjustment plus 2.15% of margin (3.77% at June 30, 2022). There was a balance of \$0 at June 30, 2022 and 2021, respectively. In accordance with the terms of the security agreement, the Society is required to provide their financial statements within 120 days from year end. As of June 30, 2022, the Society determined the covenant was met.

The Society has a revolving equipment line-of-credit with KeyBank, in amount of \$500,000, which expires on May 31, 2026. The line bears interest at 3.33% on June 30, 2022. There was no outstanding balance as of June 30, 2022.

8. LONG-TERM DEBT

	<u>2022</u>	<u>2021</u>
Capital Lease Obligations		
Present value of net minimum principal lease payments under a capital lease held by the Society, with an unrelated third party, interest at 2.5%.	\$ 2,017,562	\$ 2,431,418
Mortgage Notes Payable		
Mortgage agreement with Citizens Bank secured by real property located at Genium Plaza, Schenectady, NY. The rate of interest was computed at the floating one-month LIBOR plus 1.91%. Principal payments in the amount of \$3,327 was paid in addition to interest at a floating one-month LIBOR plus 1.91% (2.60% at June 30, 2021). This mortgage was paid off March 2022.	-	172,986
Mortgage note payable with Citizens Bank secured by real estate, due July 2022. Principal payments were due monthly with interest based on a 30 day LIBOR rate plus 1.65% (3.99% at June 30, 2021). Certain financial covenants applied to this note. These covenants were met as of June 30, 2021. Secured by property at Abbottsford Road, Schenectady, NY. This mortgage was paid off March 2022.	-	356,254
	<u>-</u>	<u>529,240</u>
Total debt	2,017,562	2,960,658
Less current installments	393,713	469,678
Total, long-term debt, net	<u>\$ 1,623,849</u>	<u>\$ 2,490,980</u>

8. LONG-TERM DEBT (Continued)

Principal payments due on notes, capitalized lease obligations and mortgaged property notes payable for the years subsequent to June 30, 2022 are as follows:

	<u>Capital Lease</u> <u>Obligations</u>
2023	\$ 500,000
2024	500,000
2025	500,000
2026	500,000
2027	500,000
Thereafter	<u>375,000</u>
	2,875,000
Less: Amount representing interest	<u>(857,438)</u>
	<u>\$ 2,017,562</u>

Tax Exempt Bonds Payable

In June of 2008, DASNY issued Series 2008 Bonds for a total of \$11,150,000. These bonds were issued as part Serial and part Term Bonds. The funds were used for the construction of a new Children's Home. Payment of principal and interest of these bonds is guaranteed by a municipal bond insurance policy issued by the State of New York Mortgage Agency (SONYMA).

The Series 2008 Bonds require an account control agreement by and among the residential provider, DASNY, the Trustee and the residential provider's bank. The agreement requires that allotments received from any school district, social service district or any other payor on accounts for residential services provided must be deposited into this account immediately upon receipt of such amounts. In addition, the provider is required to grant DASNY a security interest in the respective account.

Each month an amount necessary to satisfy the provider's next due payment obligation will be automatically transferred to the Trustee to be utilized per the agreement. Monies on deposit in the account are available to the provider only after payment of amounts then due DASNY.

8. LONG-TERM DEBT (Continued)

Tax Exempt Bonds Payable (Continued)

The following summarizes the outstanding bonds at June 30:

Dormitory Authority of the State of New York Services 2008 A-1 Bonds:

	<u>2022</u>	<u>2021</u>
Series Bonds: Maturing through June 1, 2028 with interest rates varying during these years beginning at 3.50% and ending at 5.00%.	\$ 2,305,497	\$ 2,625,000
Term Bond: 5.00% due June 1, 2038	2,560,000	2,560,000
Term Bond: 5.00% due June 1, 2038	<u>3,345,000</u>	<u>3,345,000</u>
Total Dormitory Authority Bonds	8,210,497	8,530,000
Premium on Issuance of Bonds	<u>82,002</u>	<u>92,996</u>
Total Tax Exempt Bonds Payable	8,292,499	8,622,996
Less: Unamortized debt issuance costs	<u>178,142</u>	<u>193,091</u>
Bonds Payable, net	<u>\$ 8,114,357</u>	<u>\$ 8,429,905</u>

Annual maturities of bonds payable for the years succeeding June 30, 2022, are as follows:

2023	\$ 345,497
2024	360,497
2025	375,497
2026	400,497
2027	415,497
Thereafter	<u>6,395,014</u>
Total	<u>\$ 8,292,499</u>

Interest Expense

Interest expense on all obligations for the years ended June 30, 2022 and 2021, was \$441,705 and \$492,779, respectively, including amortization of debt issuance costs.

9. PAYCHECK PROTECTION PROGRAM

In April 2020, the Society entered into an agreement with a bank under the Paycheck Protection Program (PPP) and received \$4,849,693. This arrangement is evidenced by a loan agreement that includes provisions whereby the loan balance can be fully or partially forgiven based on the Society's use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements in accordance with the requirements of the PPP Program.

The Society has elected to account for the PPP arrangement as a conditional contribution, and income is recorded as the conditions meeting the requirements for forgiveness are substantially met. In 2022, the Society applied for forgiveness of their Paycheck Protection Program loan and was approved in full by the SBA. The Society determined that it administered the proceeds of its PPP arrangement and managed its staff complement in a manner that met the conditions for forgiveness resulting in recognition of \$4,235,285 and \$614,408 for the years ending June 30, 2022 and 2021, respectively.

9. PAYCHECK PROTECTION PROGRAM (Continued)

This amount is included in support and revenue under Paycheck Protection Program, net of estimated rate mitigation on the accompanying Statement of Activities.

These estimates, while considered reasonable as of the date the financial statements were available to be issued, are subject to change based on the Society's administration of its PPP arrangement and future review.

10. RETIREMENT PLAN

The Society participates in the Northern Rivers Family Service's 401(K) Plan, a related party (see Note 12). The plan covers substantially all full-time employees of the Society that are 18 years of age and older with no years of service requirement.

Employees who contribute to the plan and have met eligibility requirements are eligible for the Society's matching contribution that is discretionary up to 2% of an employee's compensation. The Society may also provide a discretionary contribution on behalf of employees meeting eligibility requirements. The Society's contribution for the years ended June 30, 2022 and 2021 were \$530,816 and \$1,081,156, respectively.

11. POST-RETIREMENT BENEFIT

During the year ended June 30, 2002, the Society approved a lifetime post-retirement benefit for its former Executive Director and spouse. The Society will provide a benefit for health and dental insurance equal to 50% of the cost. These benefits will be coordinated with Medicare benefits and any other federal health care. The benefits commenced July 1, 2003. An accrual of \$31,695 was made at June 30, 2003 to establish the estimated present value of these future benefit obligations. For accrual measurement purposes, a 10% annual rate of increase in the per capita cost of health care was assumed for the benefit period. In addition, an 8% projected discount factor was utilized for the present value computation. The benefit is unfunded. During the year ended June 30, 2022 and 2021, the Society amortized \$1,114 and \$1,084, respectively, of benefit, resulting in a balance of \$10,732 and \$11,846 for the present value of this future benefit obligation, which has been recorded as a liability in these financial statements.

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Income from these funds may be utilized for the benefit of the Organization *	\$ 11,974	\$ 11,974
Income from these funds is restricted to scholarships for children or parents of children enrolled in Northeast Parent and Child Society, Inc. programs *	115,846	115,846
Restricted investment income	25,467	44,099
Beneficial Interest in Perpetual Trusts *	<u>1,660,746</u>	<u>2,026,124</u>
	<u>\$ 1,814,033</u>	<u>\$ 2,198,043</u>

* Net assets with donor restriction in perpetuity

13. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at:

June 30, 2022

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
Money Markets	\$ 68,022	\$ -	\$ -	\$ 68,022
Common Stock	2,107,527	-	-	2,107,527
Mutual Funds	1,095,910	-	-	1,095,910
Government Debt Securities	-	497,527	-	497,527
Beneficial Interests in Trusts	-	1,660,746	-	1,660,746
	<u>\$ 3,271,459</u>	<u>\$ 2,158,273</u>	<u>\$ -</u>	<u>\$ 5,429,732</u>

June 30, 2021

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
Money Markets	\$ 86,064	\$ -	\$ -	\$ 86,064
Common Stock	2,454,800	-	-	2,454,800
Mutual Funds	1,197,552	-	-	1,197,552
Government Debt Securities	-	540,506	-	540,506
Beneficial Interests in Trusts	-	2,026,124	-	2,026,124
	<u>\$ 3,738,416</u>	<u>\$ 2,566,630</u>	<u>\$ -</u>	<u>\$ 6,305,046</u>

14. RELATED PARTIES

Northern Rivers Family Services, Inc.

Northern Rivers Family Services, Inc. (the Organization) is the sole corporate member of the Society. The Organization provides Executive, Finance, HR, Communications, Quality Management, IT, Strategic Planning, and Development.

Generally, all intercompany loans are non-interest bearing and payment is expected within 12-36 months, unless otherwise arranged. Intercompany loans are typically paid back within 30 days.

The Society paid \$2,776,864 and \$2,675,345 in fees to Northern Rivers Family Services, Inc. during the years ended June 30, 2022 and 2021, respectively. Northern Rivers Family Services also paid rent to the Society for occupancy, equipment, telecommunications, and maintenance related services. The Society charged rent to Northern Rivers Family Services, Inc. in the amount of \$157,336 and \$196,378, for the years ended June 30, 2022 and 2021, respectively.

Parsons Child and Family Center

The Society is related through common control to Parsons Child and Family Center (Center).

Generally, all intercompany loans are non-interest bearing and payment is expected within 12-36 months, unless otherwise arranged.

The Society recorded expenses of \$125,000 for training services provided by Parsons Child and Family Center during both the years ended June 30, 2022 and 2021.

The Society also charged rent to Parsons Child and Family Center in the amount of \$298,566 and \$358,012, for the years ended June 30, 2022 and 2021, respectively. These amounts are included in rent income in the accompanying statement of activities. The Society incurred rent expense for the use of space at Parsons Child and Family Center in the amount of \$97,442 and \$43,207 for the years ended June 30, 2022 and 2021, respectively.

Unlimited Potential

The Society is related through common control to Unlimited Potential (Unlimited). Generally, all intercompany loans are non-interest bearing and payment is expected within 12-36 months, unless otherwise arranged.

14. RELATED PARTIES (Continued)

The balances due to and from related parties consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
<u>Due From Related Party:</u>		
Northern Rivers Family Services, Inc.	\$ 62,913	\$ 35,036
Parson Child and Family Center	103,380	82,169
Unlimited Potential	<u>6,576</u>	<u>2,588</u>
	<u>\$ 172,869</u>	<u>\$ 119,793</u>
<u>Due To Related Party:</u>		
Parson Child and Family Center	\$ 43,486	\$ 39,673
Northern Rivers Family Services, Inc.	42,005	270,188
Unlimited Potential	<u>-</u>	<u>449</u>
Total	<u>\$ 85,491</u>	<u>\$ 310,310</u>

15. COMMITMENTS AND CONTINGENCIES

Self-Funded Unemployment Insurance

The Society's Unemployment Compensation Insurance program is self-funded. Unemployment benefits that separated employees receive are determined by New York State statute and are administered by New York State Department of Labor (NYSDOL). The Society is billed quarterly by NYSDOL for benefits paid to former employees. Unemployment is budgeted annually based on prior year results. The Society incurred costs of \$18,006 and \$2,735 for 2022 and 2021, respectively.

Reimbursement Rates

The Society files financial reports annually with various New York State departments to report operating revenues, costs, statistical and other operating data. This information is utilized by the rate setting units to evaluate and adjust historical rates and to set future reimbursement rates. In addition, reimbursement rates are subject to audit by the New York State departments which provide funding. The potential financial impact of this process cannot be readily determined; therefore, no future obligation has been recognized in these financial statements.

Operating Leases

The Society leases various equipment, vehicles and space under non-cancellable operating leases. At June 30, 2022 the minimum rental commitment under these operating leases have remaining terms in excess of one year is as follows:

2023	\$ 665,443
2024	664,579
2025	639,553
2026	601,600
2027	<u>525,225</u>
Total	<u>\$ 3,096,400</u>

15. COMMITMENTS AND CONTINGENCIES (Continued)

Total rent expense for the years ended June 30, 2022 and 2021 was \$958,594 and \$1,062,217, respectively.

Child Victims Act

On February 14, 2019, New York State signed into law the Child Victims Act (CVA), which became effective August 14, 2019. This legislation provides for the following:

- extends New York State's statute of limitations for child abuse claims,
- allows for criminal charges against sexual abusers of children until their victims turn 28 years of age, vs. the previous law which provided that right up to age 23,
- allows for civil actions against abusers, and institutions where they were abused, until their victims turn 55, and
- opens a window beginning on the effective date of August 14, 2019, permitting any victim of child abuse to take civil action, regardless of when the abuse occurred.

As a result of the passage of the CVA, through the date of this report, the Society has been notified or become aware of abuse related claims that have been or are likely to be filed against it. Aggregate demands for damages from these claims cannot be estimated at this time. During the timeframe of the alleged abuses the Society had a combination of commercial insurance coverage and self-insurance programs.

At present, the Society is not certain as to the amount of commercial coverage available to assist it in meeting its obligations for these matters. Accordingly, it is possible that the ultimate resolution of any litigation could have a material adverse impact on the Society's results of operations, liquidity, and financial position. In addition, it is reasonably possible that the ultimate number of lawsuits and/or claims could increase, and therefore any additional exposure cannot be predicted at this time.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 10, 2022, which is the date the financial statements were available to be issued.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

Schedule I

**SCHEDULE OF REVENUE AND FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**
(With Comparative Totals for 2020)

	2022										2021
	Residential Care	Family Foster Care	Prevention Services	Case Management Services	Behavioral Health Services	Respite Services	Education Services	Management And General	Fundraising and Non-Operating	Total	
REVENUE	\$ 7,685,405	\$ 10,740,596	\$ 5,518,233	\$ 4,935,580	\$ 2,252,609	\$ 66,888	\$ 6,454,259	\$ 52,889	\$ 920,684	\$ 38,627,143	\$ 38,445,360
FUNCTIONAL EXPENSES:											
Salaries	4,460,804	3,431,163	2,395,002	2,814,632	1,164,796	9,745	3,975,151	-	13,894	18,265,187	18,603,303
Employee Health and Retirement Benefits	454,941	404,236	235,211	318,967	128,744	1,108	439,590	-	1,980	1,984,777	2,611,668
Payroll Taxes	445,900	314,630	233,363	247,331	118,574	1,697	417,108	-	1,972	1,780,575	1,813,781
Total compensation and benefits	5,361,645	4,150,029	2,863,576	3,380,930	1,412,114	12,550	4,831,849	-	17,846	22,030,539	23,028,752
Allowances - children	9,230	-	-	-	-	-	18,428	-	-	27,658	40,926
Allowances - parents	210	-	-	-	-	-	15	-	-	225	568
Allowances - uncollectible receivables	78,669	44,283	16,092	213,561	25,792	31,297	1,905	-	-	411,599	1,022,249
Auto and transportation	20,503	208,021	73,235	314,700	670	1,866	23,053	82	2,084	644,214	569,974
Bedding	1,803	37	31	16	-	1	2,219	-	7	4,114	10,425
Boarding home	-	2,998,938	-	-	-	-	-	-	-	2,998,938	2,885,262
Charges from parent organizations	-	-	-	-	-	-	-	2,619,528	-	2,619,528	2,481,370
Clothing	20,557	-	-	-	-	-	-	-	-	20,557	24,427
Conferences and administrative expense	(46,541)	127,479	(27,936)	(35,975)	(58,100)	(165)	(53,562)	3,396	314	(91,090)	16,728
Dues, licenses and permits	2,399	453	17	2,570	-	-	3,020	775	143	9,377	10,348
Food	217,011	-	-	76	-	-	-	-	-	217,087	221,376
Insurance	333,104	49,964	23,046	22,045	43,257	-	118,566	-	219	590,201	556,761
Interest	424,863	1,228	1,406	1,196	-	-	11,232	-	1,779	441,704	492,779
Legal and professional fees	107,874	6,650	1,563	813	-	28	5,814	-	357	123,099	22,820
Office supplies and expense	9,546	5,294	2,650	1,787	2,357	1	10,221	-	86	31,942	31,883
Postage and shipping	34	1,392	47	244	120	-	981	-	2	2,820	3,020
Publicity	-	264,490	-	-	6,267	-	-	-	-	270,757	251,805
Purchase of health services	37,129	4,630	3,080	-	65,938	-	26,441	-	-	137,218	436,408
Purchase of services - other	502,316	356,181	116,803	100,787	253,159	1,234	327,780	5,461	16,013	1,679,734	1,683,702
Recreation	45,144	421	4,297	1,035	-	-	33,603	-	-	84,500	56,801
Rent	-	124,481	158,496	73,267	125,964	-	-	138,739	225,191	846,138	918,953
Rent - furnishings and equipment	4,423	1,685	514	645	411	1	3,254	-	301	11,234	73,339
Rent - vehicles	-	50,830	-	-	-	-	50,391	-	-	101,221	69,925
Repair and Maintenance	3,956	2,469	1,713	651	3,982	-	9,234	-	621	22,626	63,703
Repair and Maintenance - vehicles	27,197	429	971	185	-	6	24,615	-	201	53,604	51,281
Scholarship awards	-	-	-	-	-	-	-	-	7,314	7,314	-
School expense	174	-	-	-	-	-	-	-	-	174	135
Staff development	300	-	-	241	-	-	1,059	-	-	1,600	25,468
Subscription and publications	268	1,951	22	-	333	-	153	-	-	2,727	1,953
Supplies and equipment	168,382	52,098	8,079	4,844	1,143	12	74,652	44	1,628	310,882	440,983
Supplies and equipment - medical	2,717	132	79	-	36	-	-	-	-	2,964	177,776
System and software	38,105	56,052	(120)	28,261	41,278	81	45,475	-	(28)	209,104	229,365
Telecommunications	36,464	37,178	31,008	30,523	11,564	64	24,484	7,563	14,081	192,929	237,933
Utilities and property taxes	106,366	27,208	21,667	7,999	-	21	73,167	-	7,112	243,540	261,700
Depreciation and amortization	614,713	22,764	17,289	9,500	1,446	19	190,575	1,277	19,063	876,646	868,973
Total operating expenses	8,128,561	8,596,767	3,317,625	4,159,901	1,937,731	47,016	5,858,624	2,776,865	314,334	35,137,424	37,269,871
Operating gain (loss)	\$ (443,156)	\$ 2,143,829	\$ 2,200,608	\$ 775,679	\$ 314,878	\$ 19,872	\$ 595,635	\$ (2,723,976)	\$ 606,350	\$ 3,489,719	\$ 1,175,489

The accompanying notes are an integral part of these schedules.

INDEPENDENT AUDITOR'S 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

November 10, 2022

To the Board of Directors of
Northeast Parent and Child Society, Inc.:

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 Northeast Parent and Child Society, Inc. (the Society), 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, related notes to the financial statements, and have issued our report thereon dated November 10, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

INDEPENDENT AUDITOR'S 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 (Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society's financial statements are free from 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

November 10, 2022

To the Board of Directors of
Northeast Parent and Child Society, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northeast Parent and Child Society, Inc.'s (the Society) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Society's major federal programs for the year ended June 30, 2022. The Society's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Society complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

NORTHEAST PARENT AND CHILD SOCIETY, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass Through Grantor's Number	Assistance Listing Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through New York State Education Department:			
School Breakfast Program	NA	10.553	\$ 44,848
National School Lunch Program	NA	10.555	<u>71,501</u>
 Total Child Nutrition Cluster			 <u>116,349</u>
Total U.S. Department of Agriculture			<u>116,349</u>
<u>U.S. Department of Education</u>			
Passed-through Albany City School District			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	NA	84.010	57,483
Title I State Agency Program for Neglected and Delinquent Children and Youth	NA	84.013	<u>189,960</u>
Passed-through New York State Education Department			
Special Education - Grant to State	0427-16-0051	84.027	<u>140,852</u>
 Total Special Education Grants			 <u>388,295</u>
Total U.S. Department of Education			<u>388,295</u>
<u>U.S. Department of Health and Human Services</u>			
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	NA	93.498	<u>687,867</u>
Total U.S. Department of Health and Human Services			<u>687,867</u>
Total Expenditures of Federal Awards			\$ <u>1,192,511</u>
NA	Not available		

NORTHEAST PARENT AND CHILD SOCIETY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of Northeast Parent and Child Society, Inc. (the Society) for the year ended June 30, 2022. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included in the schedule.

The information in this 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* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Society, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Society.

The schedule is presented using the accrual basis of accounting used by the Society to report to the federal government. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. PROVIDER RELIEF FUNDS (PRF)

The amount included in the schedule of expenditures of federal awards is based upon the December 31, 2021 PRF Report.

3. INDIRECT COST RATES

The Society has elected not to use the 10% de minimis cost rate as allowed by the Uniform Guidance.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial statements:

Type of auditor’s report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes x No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes x None noted

Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards:

Internal control over the major programs:

Material weakness(es) identified? _____ Yes x No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes x None noted

Type of auditor’s report issued on compliance for the major programs: Unmodified

Any audit findings that are required to be reported in accordance with the Uniform Guidance _____ Yes x No

Identification of the major program:

Assistance Listing Number

Name of Federal Program or Cluster

93.498

COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution

Dollar threshold used to distinguish between type A and type B programs?

\$750,000

Auditee qualified as low-risk auditee: _____ Yes x No

NORTHEAST PARENT AND CHILD SOCIETY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
JUNE 30, 2022

SECTION 2 – FINANCIAL STATEMENT FINDINGS

None

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None