

PASSAIC COUNTY COURT
APPOINTED SPECIAL ADVOCATES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Passaic County Court Appointed Special Advocates, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Passaic County Court Appointed Special Advocates, Inc. (hereafter referred to as "Passaic County CASA, Inc."), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Passaic County CASA, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information (shown on the Schedule of Expenditures of Federal and State Awards), as required by State of New Jersey Single Audit policy, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020 on our consideration of Passaic County CASA, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Passaic County CASA, 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 Passaic County CASA, Inc.'s internal control over financial reporting and compliance.



GILLEN & JOHNSON, P.A.
Somerville, New Jersey
January 27, 2020

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
Cash	\$ 312,734	147,412
Certificate of deposit	3,000	-
Accounts receivable	5,432	-
Grants receivable	105,049	71,971
Prepaid expenses	4,663	8,622
Furniture and equipment (Note 3)	32,275	16,193
Security deposit	<u>4,000</u>	<u>4,000</u>
Total assets	<u>\$ 467,153</u>	<u>248,198</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 23,666	9,497
Capital lease payable (Note 4)	24,923	7,547
Deferred revenue	<u>9,665</u>	<u>17,670</u>
Total liabilities	58,254	34,714
Net assets:		
Without donor restrictions	<u>408,899</u>	<u>213,484</u>
Total liabilities and net assets	<u>\$ 467,153</u>	<u>248,198</u>

See accompanying accountants' audit report and notes to financial statements.

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Changes in net assets with donor restrictions:		
Revenue and gains:		
Government grants:		
Federal: Victim Assistance Grant Program	\$ 328,600	196,528
Federal: Community Development Block Grant	18,199	12,599
State: Legislative allocation	95,616	88,572
State: Expansion grant	17,900	-
State: Department of Community Affairs	-	1,250
Other revenue and gains:		
Foundation grants	<u>155,000</u>	<u>86,000</u>
Total revenue and gains	615,315	384,949
Net assets released from restrictions	<u>(615,315)</u>	<u>(442,720)</u>
Increase in net assets with donor restrictions	<u>-</u>	<u>(57,771)</u>
Changes in net assets without donor restrictions:		
Revenue and gains:		
Individual donations	80,270	27,520
Corporate donations	26,492	1,106
Foundation grants	18,000	25,500
Memorials and bequests	3,518	20
Donated services	286,265	232,108
Special events revenue	257,009	225,148
Special events expenses	(86,392)	(72,658)
Investment income	<u>7,126</u>	<u>398</u>
Total revenue and gains	592,288	439,142
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>615,315</u>	<u>442,720</u>
Total revenue, gains and releases from restrictions	<u>1,207,603</u>	<u>881,862</u>
Expenses and losses:		
Program services	919,382	701,549
Management and general	53,645	45,362
Fundraising	<u>39,161</u>	<u>50,692</u>
Total expenses	<u>1,012,188</u>	<u>797,603</u>
Increase in net assets without donor restrictions	<u>195,415</u>	<u>84,259</u>
Increase in net assets	195,415	26,488
Net assets, beginning of year	<u>213,484</u>	<u>186,996</u>
Net assets, end of year	<u>\$ 408,899</u>	<u>213,484</u>

See accompanying accountants' audit report and notes to financial statements.

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 195,415	26,488
Depreciation expense	5,127	4,318
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(5,432)	5,275
Grants receivable	(33,077)	25,110
Prepaid expenses	3,959	(6,502)
Increase (decrease) in:		
Accounts payable and accrued expenses	14,169	3,736
Deferred revenue	<u>(8,005)</u>	<u>17,670</u>
Net cash provided by operating activities	<u>172,156</u>	<u>76,095</u>
 Cash flows from investing activities:		
Purchase of certificate of deposit	(3,000)	-
Purchase of equipment	<u>-</u>	<u>(8,637)</u>
Net cash used in investing activities	<u>(3,000)</u>	<u>(8,637)</u>
 Cash flows from financing activities:		
Capital lease principal payments	<u>(3,834)</u>	<u>(3,168)</u>
Net cash used in financing activities	<u>(3,834)</u>	<u>(3,168)</u>
 Net increase in cash	165,322	64,290
Cash at beginning of year	<u>147,412</u>	<u>83,122</u>
Cash at end of year	\$ <u>312,734</u>	<u>147,412</u>
 Supplemental disclosures of cash flow information:		
Schedule of noncash investing and financing activities:		
Equipment acquired with capital lease payable	\$ 21,210	-

See accompanying accountants' audit report and notes to financial statements.

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>Year ended June 30, 2019</u>			
	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 437,911	31,304	14,073	483,288
Payroll taxes and fees	46,542	3,339	1,490	51,371
Retirement plan expense	6,924	497	222	7,643
Donated volunteer services	196,831	-	-	196,831
Donated services	20,793	-	-	20,793
Donated supplies and materials	58,837	4,221	1,883	64,941
Donated storage space	3,352	241	107	3,700
Rent	36,011	2,584	1,153	39,748
Insurance	9,592	688	307	10,587
Equipment expense	6,065	-	-	6,065
Janitorial service	2,154	155	69	2,378
Office repairs and maintenance	2,577	185	83	2,845
Office supplies	8,970	644	287	9,901
Postage and delivery	3,638	910	-	4,548
Printing and reproduction	1,703	122	54	1,879
Professional fees - accounting	-	6,850	-	6,850
Fundraising consultant	-	-	15,000	15,000
Fundraising technology	-	-	3,583	3,583
Marketing expense	25,983	-	-	25,983
Memberships and dues	1,361	-	-	1,361
Communications	6,232	447	199	6,878
Internet and website	8,834	634	283	9,751
Travel and meals	8,991	-	-	8,991
Staff training and meetings	4,351	-	-	4,351
Volunteer training expense	10,249	-	-	10,249
Moving expense	2,336	168	75	2,579
Depreciation expense	4,645	333	149	5,127
Miscellaneous expenses	4,500	323	144	4,967
	<u>\$ 919,382</u>	<u>53,645</u>	<u>39,161</u>	<u>1,012,188</u>

	<u>Year ended June 30, 2018</u>			
	<u>Program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 326,755	29,550	14,775	371,080
Payroll taxes and fees	37,337	3,394	1,697	42,428
Retirement plan expense	4,627	421	210	5,258
Donated volunteer services	188,243	-	-	188,243
Donated services	14,890	-	-	14,890
Donated supplies and materials	24,337	2,212	1,106	27,655
Donated storage space	1,161	106	53	1,320
Rent	22,719	2,065	1,033	25,817
Insurance	7,425	675	338	8,438
Equipment expense	2,772	-	-	2,772
Janitorial service	1,716	156	78	1,950
Office repairs and maintenance	1,505	137	68	1,710
Office supplies	5,293	481	241	6,015
Postage and delivery	2,048	512	-	2,560
Printing and reproduction	2,690	244	122	3,056
Professional fees - accounting	1,530	3,470	-	5,000
Fundraising consultant	-	-	30,000	30,000
Memberships and dues	1,574	-	-	1,574
Communications	3,203	291	146	3,640
Internet and website	6,782	616	308	7,706
Travel and meals	6,585	-	-	6,585
Staff training and meetings	13,097	-	-	13,097
Volunteer training expense	13,900	-	-	13,900
Depreciation expense	3,800	345	173	4,318
Miscellaneous expenses	7,560	687	344	8,591
	<u>\$ 701,549</u>	<u>45,362</u>	<u>50,692</u>	<u>797,603</u>

See accompanying accountants' audit report and notes to financial statements.

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1 - DESCRIPTION OF ORGANIZATION

Passaic County CASA, Inc. is an independent, non-profit organization of professionals and trained volunteers who have been appointed by the New Jersey Family Court to advocate for children removed from their homes due to abuse and/or neglect. The Organization works to ensure that needed services and assistance are made available to these children while helping to move them toward safe and permanent homes.

The Organization was incorporated on January 26, 2007, and began operations on July 1, 2007.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Organization's financial statements are presented in accordance with general accounting standards issued by the Financial Accounting Standards Board. The standards require an organization to provide certain basic information on the organization as a whole. An organization is required to provide a statement of financial position, a statement of activities and a statement of cash flows, as well as information for functional expenses.

Net assets

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

- Net assets without donor restrictions: Such net assets are available for use in general operations and are not subject to donor restrictions.
- Net assets with donor restrictions: Net assets subject to donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, such as those where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

During the year ended June 30, 2017, the Organization received a \$37,208 grant from a donor which was restricted to the salary and related expenses for an employee to be a community outreach coordinator, of which \$1,181 had been spent as of June 30, 2017, leaving a temporarily restricted balance of \$36,027 as of that date. That balance was expended in accordance with the donor restriction during the year ended June 30, 2018.

Also during the year ended June 30, 2017, the Organization received a \$25,000 grant from a donor which was restricted to expenses for community outreach and volunteer recruitment, of which \$3,265 had been spent as of June 30, 2017, leaving a

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

temporarily restricted balance of \$21,744 as of that date. That balance was expended in accordance with the donor restriction during the year ended June 30, 2018.

Use of estimates

The process of preparing financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and cash equivalents

Cash and cash equivalents include all highly-liquid investments with a maturity of three months or less at the date of purchase. The Organization minimizes its credit risk by placing its cash and cash equivalents with a major bank. The Organization believes that no concentration of credit risk exists with respect to cash and cash equivalents.

Certificate of deposit and fair value measurements

The Organization is subject to the fair value measurements and disclosures standards established by the Financial Accounting Standards Board which defines fair value under U.S. generally accepted accounting principles, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. These standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value.

The sole financial instrument held by Organization at June 30, 2019 which is subject to the fair value measurements and disclosures standards is a certificate of deposit having a value of \$3,000. Due to the immateriality of this item, the Organization has elected to not present such measurements and disclosures.

Furniture and equipment

Furniture and equipment are stated at cost or estimated fair value, if donated, less accumulated depreciation. Depreciation is provided over the estimated useful life of the respective assets (generally 5 years) on a straight-line basis.

Revenue recognition

Cash contributions are generally recognized when received. Unconditional pledges and associated receipts are recognized as described below. Revenue from government grant awards which are conditioned upon Organization requests for expense reimbursements are recognized during the period in which such expenses were incurred.

Contributions

Under the general accounting standards issued by the Financial Accounting Standards Board for contributions received and contributions made, the Organization recognizes contributions received as unrestricted, temporarily restricted, or

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

permanently restricted support depending on the nature of any donor restrictions. Unconditional pledges (or promises to give) of monetary resources that are expected to be collected within one year are recorded at their full amount less a reserve for uncollectible pledges. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their future cash flows less a reserve for uncollectible pledges. Conditional pledges are not included as support until the conditions are substantially met. Pledges of future services to be provided to the Organization are recorded when the contributed services are received.

Contributed supplies and services

Under the general accounting standards issued by the Financial Accounting Standards Board, the Organization recognizes contributions of supplies and of services which create or enhance nonfinancial assets or require specialized skills that would typically need to be purchased if not provided by donation. Such services are valued at the rate necessary to replace these services. Services that do not meet the above criteria are not recognized.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax status

The Organization is exempt from income taxes as a charitable not-for-profit organization under Internal Revenue Code Section 501(c)(3), and is not a private foundation.

The Organization evaluates all significant tax positions as required by the general standards of accounting for uncertainty in income taxes established by the Financial Accounting Standards Board. The Organization does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would increase or decrease within the next twelve months.

The Organization files returns in the federal and New Jersey jurisdictions. The returns filed within the last four years are generally open for examination by those jurisdictions.

New accounting standards

Not-for-profit entity financial reporting: In August 2016 the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Accordingly, the Organization has adopted this ASU during the year ended June 30, 2019.

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Principal changes are as follows:

- The previous classification of net assets (unrestricted, temporarily restricted and permanently restricted) has been replaced by two classes of net assets: Net assets without donor restrictions and Net assets with donor restrictions. Footnote disclosures are required to include the timing and nature of the restrictions, as well as the composition of net assets at the end of the period. The disclosures continue to show an analysis by time, purpose, and perpetual restrictions. Also, the disclosure of any designation or appropriation of net assets by the governing body is mandatory.
- Information about the function and nature of expenses is presented in one location: in the footnotes, in the statement of activities, or as a separate statement. Voluntary health and welfare organizations are no longer required to present a statement of functional expenses, but may choose from one of the three options to report this information. Additional disclosures are also required regarding specific methodologies used to allocate costs among program and support functions.
- Disclosures aimed at improving a financial statement user's understanding of an organization's liquidity and how it is being managed is required. These include qualitative information on the management of liquid resources, and quantitative information that communicates the availability of financial assets, to meet cash needs for general expenditures within one year of the date of the financial statements.

Additional changes affect the reporting of: investment expenses; endowments that have a current fair value that is less than the original gift amount (or amount required to be retained by donor or by law), known as "underwater" endowments; contributions of long-lived assets (for example, equipment and buildings or cash and other assets restricted to the purchase of long-lived assets); and cash flows reported on the direct method.

Revenue: In May 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The standard will have differing effects on revenue recognition by entities based on whether: goods or services are exchanged at a point in time or over a period of time; there is any variable revenue; more than one contract is entered into for an obligation; more than one event must occur in order to earn the revenue; there is a financing component for long-term contracts; there are significant collection risks. Most entities will have additional disclosure requirements, including more disaggregation of revenue and the disclosure of judgments and estimates applied in the measurement of revenue. For most nonpublic entities, the standard is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted for annual reporting periods beginning after December 15, 2016. Organization management is currently evaluating the effect that this ASU will have on the Organization's financial statements.

Leases: In February 2016 the FASB issued ASU 2016-02, *Leases*. This new standard significantly changes the way lessees account, classify, and report for leases for property, plant, and equipment under accounting principles generally accepted in the

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

United States of America. Under the new standard, a lessee will recognize long-term leases on the statement of financial position as a lease payment liability to make lease payments, and an offsetting right-of-use asset representing the entity's right to use the underlying asset for the lease term. The lease payment liability will be initially measured at the present value of the lease payments. For most nonpublic entities, the standard is effective for annual reporting periods beginning after December 15, 2020. Early adoption is permitted. Organization management is currently evaluating the effect that this ASU will have on the Organization's financial statements.

Restricted cash: In November 2016 the FASB issued ASU 2016-18, *Statement of Cash Flows*. This new standard requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The ASU requires changes in the entity's cash to be classified as either operating activities, investing activities or financing activities in the statement of cash flows, depending on the nature of the activities that gave rise to the restriction. The new standard is effective for annual reporting periods beginning after December 15, 2018. Organization management is currently evaluating the effect that this ASU will have on the Organization's financial statements.

NOTE 3 - FURNITURE AND EQUIPMENT

Furniture and equipment are summarized as follows:

	2019	2018
Photocopiers under capital lease	\$ 37,937	16,727
Computer equipment	8,639	8,639
Furniture and fixtures	<u>2,865</u>	<u>2,865</u>
	49,441	28,231
Accumulated depreciation	<u>17,166</u>	<u>12,038</u>
	\$ <u>32,275</u>	<u>16,193</u>

NOTE 4 - CAPITAL LEASE PAYABLE

The Organization leases its two photocopiers under an agreement that is classified as a capital lease. The older photocopier was acquired under a lease which was to expire in October 2020. In April 2019 this photocopier was combined with a new photocopier under a new lease which expires in July 2024.

The cost of the equipment under the capital lease is included in the statement of financial position as furniture and equipment (Note 3). Amortization of the assets under the capital lease is included in depreciation expense. Interest expense on the lease and the difference between the balance of the capital lease payable and the present value of the net minimum lease payments are immaterial.

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019 AND 2018

The future minimum lease payments required under the capital lease for years ended June 30 are as follows:

2020	\$ 4,903
2021	4,903
2022	4,903
2023	4,903
2024	4,903
2025	408
	<u>\$ 24,923</u>

NOTE 5 - LINE OF CREDIT AGREEMENT

On August 24, 2016, the Organization entered into a line of credit agreement with a bank, with an initial expiration date of September 15, 2017. The maximum balance on the line of credit is \$50,000. Interest is charged at the higher of 4.50% or the published prime rate plus 1.00%. No balances were outstanding at June 30, 2019 and 2018. The most recent extension of the line is to November 15, 2020, effective as of September 15, 2019.

NOTE 6 - LEASE COMMITMENT

The Organization was obligated under a lease for its premises with an original expiration of February 28, 2019. Monthly rent was \$2,292 per month until September 30, 2019, and \$2,356 per month until February 28, 2019.

On June 29, 2018, the lease was amended to provide for a move to a larger space in the same building, which occurred in February 2019. The amended lease expires on the last day of the month in which the fifth anniversary of the move to the new space occurs, which is February 29, 2024. Monthly rent is \$4,721 per month for the first year of the amended lease which began in March 2019, plus escalations of approximately \$95 per month on subsequent anniversaries. The landlord has pledged to make quarterly unrestricted donations of \$4,000 for the term of the lease, which the lease states will be deducted monthly from the rent payment in the amount of \$1,333 each month. Rent expense is reflected in the gross amount in the financial statements, and the donation is recorded as unrestricted corporate donations.

There is also an option for the Organization to extend the lease for an additional five-year period.

Minimum annual rentals under the lease for years ended June 30 are as follows:

2020	\$ 57,024
2021	58,144
2022	59,304
2023	60,468
2024	40,819
	<u>\$ 275,759</u>

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019 AND 2018

NOTE 7 - INVESTMENT INCOME

Investment income is summarized as follows:

	2019	2018
Interest income	\$ 1,922	398
Gain on sale of donated marketable security	<u>5,204</u>	<u>-</u>
	<u>7,126</u>	<u>398</u>

The gain resulted from the donation of a marketable security which had a value at the time of donation in October 2018 of \$10,000 which was sold in June 2019 for \$15,204. No marketable securities were held by the Organization at June 30, 2019 or 2018.

NOTE 8 - PENSION PLAN

The Organization has established a defined contribution plan for all employees having attained 1,000 hours of service within a plan year. This is a SIMPLE IRA plan for which employees may make contributions in accordance with Internal Revenue Code Section 408(p), and the Organization makes contributions of 3% of base salaries to the employees' plan balances. The amount of pension expense was \$7,643 and \$5,258 during the years ended June 30, 2019 and 2018, respectively.

NOTE 9 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure without restrictions limiting their use within one year of the date of the statement of financial position are as follows:

Cash – checking accounts	\$ 150,632
Cash – money market account	162,102
Certificate of deposit maturing on November 27, 2019	3,000
Accounts receivable	5,432
Grants receivable	105,049
Prepaid expenses	<u>4,663</u>
	<u>\$ 430,878</u>

As part of its liquidity plan, unrestricted and temporarily restricted funds are invested based on current and projected cash flow needs. The investment objectives for these funds are preservation of capital, adequate liquidity to meet anticipated cash flow needs, and sufficient liquidity to provide for unexpected operating and other contingencies within the next 18 to 24 months. Risk and return is considered based on those requirements.

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 10 - FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, rent, office expenses, communications and insurance, which are allocated on the basis of management estimates of time and effort; and payroll taxes, employee benefits and other payroll-related expenses, which are allocated on the basis of the results of the salaries allocation.

NOTE 11 - DEPENDENCY FOR FUNDING

The Organization receives most of its support in the form of federal government grants, a grant from the New Jersey Legislature (which is passed through CASA of New Jersey, Inc.), and grants and contributions from private foundations, corporations and individuals. The continued operations of the Organization are contingent upon continued support from these sources.

NOTE 12 - SUBSEQUENT EVENTS

The Financial Accounting Standards Board has established general standards of accounting for and disclosure of events that occur after the date of the statement of financial position but before the date that the financial statements are issued or are available to be issued. These standards also require disclosure of the date through which an entity has evaluated subsequent events. Accordingly, the Organization has evaluated, for potential recognition and disclosure, events that have occurred through January 27, 2020, the date the financial statements were available to be issued.

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2019

<u>Federal grantor/Pass-through grantor/ Program or cluster Title</u>	<u>Federal CFDA No.</u>	<u>Pass-through entity indenti- fying number</u>	<u>Expenditures</u>
<u>FEDERAL AWARDS</u>			
U.S. Department of Justice / pass-through from New Jersey Department of Law and Public Safety, Office of the Attorney General / Victim Assistance Grant Program / Training for Volunteers and Child Victims Advocacy Services: January 1, 2018 - August 31, 2019: federal award no. 2016-VA-GX-0072; grant award amount \$300,000	16.575	VAG-96-16	\$ 177,394
U.S. Department of Justice / pass-through from New Jersey Department of Law and Public Safety, Office of the Attorney General / Victim Assistance: Grant Program / Advocacy for Victims of Child Abuse January 1, 2018 - August 31, 2019: federal award no. 2016-VA-GX-0072; grant award amount \$245,900	16.575	VAG-97-16	151,206
U.S. Department of Housing and Urban Development / pass-through from County of Passaic / Community Development Block Grant / Advocacy Coordinator [Grant period September 1, 2017 - August 31, 2019; grant award amount \$10,000]	16.575	829318539	199
[Grant period September 1, 2018 - August 31, 2020; grant award amount \$18,000]	16.575	829318539	18,000
<u>STATE AWARDS</u>			
State of New Jersey, Department of Children and Families/Division of Child Protection and Permanency / pass-through from CASA of New Jersey, Inc. / Legislative allocation from Child Protective and Permanency Services and Safety and Permanency in the Courts to the Court Appointed Special Advocate Program [Grant period July 1, 2017-June 30, 2018; grant award amount \$88,612]	-	19GPLC	95,616
State of New Jersey, Department of Children and Families/Division of Child Protection and Permanency / pass-through from CASA of New Jersey, Inc. / Expansion grant [Grant period July 1, 2018-June 30, 2019; grant award amount \$15,500 plus supplemental award of \$2,400]	-	-	<u>17,900</u>
Total expenditures of federal and state awards			\$ <u>460,315</u>

See accompanying notes to schedule of expenditures of federal and state awards.

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and State of New Jersey grant activity of Passaic County CASA, Inc. and is presented on the accrual basis of accounting.

NOTE 2 - SUBRECIPIENTS

Passaic County CASA, Inc. provided no federal or state awards to subrecipients during the year.



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
Passaic County Court Appointed Special Advocates, 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 Passaic County Court Appointed Special Advocates, Inc. (hereafter referred to as "Passaic County CASA, Inc."), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Passaic County CASA, Inc.'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 Passaic County CASA, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Passaic County CASA, Inc.'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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a significant deficiency. This finding is referenced as 2019-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Passaic County CASA, Inc.'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 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 result 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.



GILLEN & JOHNSON, P.A.
Somerville, New Jersey
January 27, 2020

PASSAIC COUNTY COURT APPOINTED SPECIAL ADVOCATES, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I – FINANCIAL STATEMENTS FINDINGS

2019-1. Material audit adjustments

- Criteria: Under generally accepted auditing standards, the existence of a material misstatement in the financial statements is indicative of at least a significant control deficiency or possibly a strong indication of a material weakness.
- Condition: Under this standard, the audit adjustments made [1] to record grant reimbursements receivable for the quarter ended June 30, 2019 in the proper period; and [2] to record the acquisition of a photocopier under a capital lease were considered to be significant deficiencies.
- Context: This condition was noted during the testing of government grants revenue and leases, respectively.
- Effect: Grants receivable as of June 30, 2019 was understated by an amount in excess of financial statement materiality. This resulted in a material misstatement of the change in net assets for the year ended June 30, 2019. The other adjustment had no effect on the change in net assets.
- Cause: [1] The general ledger balance for the related grant revenue account was not reconciled to the quarterly reimbursement amounts at June 30, 2019; and [2] no accounting was performed for a photocopier acquired under a capital lease.
- Recommendation: Organization management should ensure that [1] government grant revenue is recorded in the proper period; and [2] assets acquired under leases are accounted for correctly.
- View of responsible official and planned corrective action: The Executive Director will ensure that such material misstatements do not recur in future fiscal years.

SECTION II – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No findings were reported in the prior year audit for the year ended June 30, 2018.

SECTION III – FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs reported.

PASSAIC COUNTY CASA, INC.
CORRECTIVE ACTION PLAN
AUDIT FOR THE YEAR ENDED JUNE 30, 2019

AUDIT FINDING 2019-1: Material audit adjustments

CONTACT PERSON: Erica Fischer-Kaslander, Executive Director

TELEPHONE NUMBER: (973) 832-4002

ADDRESS: 415 Hamburg Turnpike, Suite D-2; Wayne, New Jersey 07470

- CORRECTIVE ACTIONS PLANNED: The Executive Director will ensure that general ledger balances for grant revenue accounts will be reconciled to the contract amounts for future fiscal year-ends; and assets acquired under leases are accounted for correctly.
- ANTICIPATED COMPLETION DATE: Planning will commence within 90 days so that this will not recur at June 30, 2020.