

Report of Audit

on the

Financial Statements

of

*Adult Day Center of
Somerset County, Inc.*

for the

Years Ended
December 31, 2020 and 2019

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Adult Day Center of Somerset County, Inc.
Bridgewater, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Adult Day Center of Somerset County, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. 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.

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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 Adult Day Center of Somerset County, Inc. as of December 31, 2020 and 2019, 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 Matters

Other 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*, 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of Adult Day Center of Somerset County, 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 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 Adult Day Center of Somerset County, Inc.'s internal control over financial reporting and compliance.



October 29, 2021



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**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**

Board of Trustees
Adult Day Center of Somerset County, Inc.
Bridgewater, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Adult Day Center of Somerset County, Inc., which comprise the statements of financial position as of December 31, 2020, and the related statements of activity, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Adult Day Center of Somerset County, 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adult Day Center of Somerset County, 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 results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

October 29, 2021

ADULT DAY CENTER OF SOMERSET COUNTY, INC.STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 527,101	\$ 521,152
Receivables, net	98,152	173,505
Prepaid Expenses		244
	<hr/>	<hr/>
<u>TOTAL CURRENT ASSETS</u>	625,253	694,901
Fixed Assets, net	<hr/> 2,601,795	<hr/> 2,706,992
	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 3,227,048</u>	<u>\$ 3,401,893</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 4,541	\$ 6,937
Credit Cards Payable	878	5,772
Deferred Income	10,650	10,650
Other liabilities	30,178	14,462
Loan Payable - Current Portion	<hr/> 64,979	<hr/> 64,019
	<hr/>	<hr/>
<u>TOTAL CURRENT LIABILITIES</u>	111,226	101,840
Loan - EIDL	150,000	
Loan - Somerset County	<hr/> 2,374,249	<hr/> 2,439,228
	<hr/>	<hr/>
<u>TOTAL LIABILITIES</u>	<hr/> 2,635,475	<hr/> 2,541,068
Net Assets:		
Without Donor Restrictions	575,255	848,971
With Donor Restrictions	<hr/> 16,318	<hr/> 11,854
	<hr/>	<hr/>
<u>TOTAL NET ASSETS</u>	<hr/> 591,573	<hr/> 860,825
	<hr/>	<hr/>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 3,227,048</u>	<u>\$ 3,401,893</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

STATEMENTS OF ACTIVITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		
	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Operating Activities:			
Federal and State Grants		\$ 307,335	\$ 307,335
Local Grants		222,079	222,079
Indirect Public Support		6,918	6,918
Client Fees	77,402		77,402
Contributions	105,646	12,620	118,266
Special Events: (Integral and Ongoing)			
Special Events Revenue	37,300		37,300
Cost of Direct Benefits to Donors	18,911		18,911
Net Fundraising Revenue	18,389		18,389
Other	31,661		31,661
Total revenue and support before releases	233,098	548,952	782,050
Net Assets Released From Restriction	544,488	(544,488)	
<u>TOTAL REVENUE AND SUPPORT</u>	777,586	4,464	782,050
Expenses and Losses:			
Program Services	932,744		932,744
Management and General	216,857		216,857
Fundraising	54,954		54,954
<u>TOTAL EXPENSES</u>	1,204,555		1,204,555
Change in net assets from operating activities	(426,969)	4,464	(422,505)
Nonoperating Activities:			
Interest and Dividend Income	1,251		1,251
Interest Expense	(40,741)		(40,741)
Gain on Extinguishment of Debt	192,743		192,743
Change in net assets from nonoperating activities	153,253	-	153,253
<u>CHANGE IN NET ASSETS</u>	(273,716)	4,464	(269,252)
Net Assets, Beginning of Year	848,971	11,854	860,825
Net Assets, End of Year	\$ 575,255	\$ 16,318	\$ 591,573

The accompanying Notes to the Financial Statements are an integral part of this statement.

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

STATEMENTS OF ACTIVITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities:			
Federal and State Grants		\$ 404,633	\$ 404,633
Local Grants		220,509	220,509
Indirect Public Support		9,992	9,992
Client Fees	396,615		396,615
Contributions	48,353	10,377	58,730
Special Events: (Integral and Ongoing)			
Special Events Revenue	325,230		325,230
Cost of Direct Benefits to Donors	88,321		88,321
Net Fundraising Revenue	236,909		236,909
Other	9,139		9,139
Total revenue and support before releases	691,016	645,511	1,336,527
Net Assets Released From Restriction	659,741	(659,741)	
<u>TOTAL REVENUE AND SUPPORT</u>	<u>1,350,757</u>	<u>(14,230)</u>	<u>1,336,527</u>
Expenses and Losses:			
Program Services	996,207		996,207
Management and General	223,855		223,855
Fundraising	55,236		55,236
<u>TOTAL EXPENSES</u>	<u>1,275,298</u>		<u>1,275,298</u>
Change in net assets from operating activities	75,460	(14,230)	61,230
Nonoperating Activities:			
Interest and Dividend Income	2,108		2,108
Interest Expense	(38,467)		(38,467)
Change in net assets from nonoperating activities	(36,359)	-	(36,359)
<u>CHANGE IN NET ASSETS</u>	<u>39,101</u>	<u>(14,230)</u>	<u>24,871</u>
Net Assets, Beginning of Year	809,870	26,084	835,954
Net Assets, End of Year	<u>\$ 848,971</u>	<u>\$ 11,854</u>	<u>\$ 860,825</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

ADULT DAY CENTER OF SOMERSET COUNTY, INC.STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ (269,252)	\$ 24,871
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	116,054	113,869
Restricted Contributions	(12,620)	(10,377)
Receivables	75,353	9,042
Prepaid Expenses	244	2,544
Accounts Payable	(2,396)	(2,140)
Credit Cards Payable	(4,894)	5,189
Deferred Income		400
Other Liabilities	15,716	8,743
	<u>(81,795)</u>	<u>152,141</u>
Net Cash Provided (Used) by Operating Activities		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Fixed Assets	<u>(10,858)</u>	<u>(22,917)</u>
Net Cash Used by Investing Activities	<u>(10,858)</u>	<u>(22,917)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal Payment On Loan	(64,018)	(63,073)
EIDL Loan	150,000	
Restricted Contributions	<u>12,620</u>	<u>10,377</u>
Net Cash Provided (Used) by Financing Activities	<u>98,602</u>	<u>(52,696)</u>
Net Increase in Cash and Cash Equivalents	5,949	76,528
Cash and Cash Equivalents, Beginning of Year	<u>521,152</u>	<u>444,624</u>
Cash and Cash Equivalents, End of Year	<u>\$ 527,101</u>	<u>\$ 521,152</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019				
	Program Services	Management and General	Fundraising	Total Supporting Expenses	Program Services	Management and General	Fundraising	Total Supporting Expenses	
Salaries	\$ 552,506	\$ 149,326	\$ 44,798	\$ 194,124	\$ 551,666	\$ 149,099	\$ 44,730	\$ 193,829	\$ 745,495
Payroll Taxes	44,986	12,159	3,648	15,807	44,200	11,946	3,584	15,530	59,730
Employee Benefits	80,269	21,695	6,508	28,203	85,376	23,075	6,922	29,997	115,373
	677,761	183,180	54,954	238,134	681,242	184,119	55,236	239,355	920,597
Other Expenses:									
Professional Fees	4,722	7,704		7,704	6,869	11,207		11,207	18,075
Office Expenses									
Telephone	2,289	255		255	2,759	307		307	3,065
Postage	1,670	716		716	2,175	932		932	3,107
Equipment Rental	3,458	3,458		3,458	3,371	3,371		3,371	6,741
Payroll Service	2,505	626		626	2,636	659		659	3,295
Uncollectible Receivables		3,482		3,482		3,066		3,066	3,066
○ Credit Card Fees	416	771		771	1,379	2,560		2,560	3,939
Pension Administration	1,152	288		288	1,488	372		372	1,860
Office Expense	14,723	3,681		3,681	11,912	2,978		2,978	14,890
	26,213	13,277		13,277	25,718	14,244		14,244	39,962
Occupancy									
Repairs and Maintenance	23,650	1,244		1,244	48,229	2,538		2,538	50,767
Utilities	46,970	2,473		2,473	47,385	2,494		2,494	49,879
	70,620	3,717		3,717	95,614	5,032		5,032	100,647
Travel, Meals and Entertainment	253	63		63	1,519	380		380	1,899
Insurance	23,229	5,807		5,807	23,006	5,751		5,751	28,757
Program Expenses	8,050				36,660				36,660
Center Expenses	5,017				10,611				10,611
Miscellaneous	3,090	844		844	3,376	844		844	4,220
Total Expenses Before Depreciation	818,955	214,592	54,954	289,546	884,615	221,578	55,236	276,814	1,161,428
Depreciation	113,733	2,321		2,321	111,592	2,277		2,277	113,869
TOTAL EXPENSES	\$ 932,688	\$ 216,913	\$ 54,954	\$ 271,867	\$ 996,207	\$ 223,855	\$ 55,236	\$ 279,091	\$ 1,275,298

The accompanying Notes to the Financial Statements are an integral part of this statement.

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NATURE OF ACTIVITIES

Adult Day Center of Somerset County, Inc. (the "Organization") is a not-for-profit corporation organized under Section 501(c)(3) of the Internal Revenue Code. It is operated for the purpose of providing adult day-care services for elderly and disabled residents of the Somerset County area and support for caring families.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's Board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the donor restricted net assets are reclassified to without donor restricted net assets and reported in the statement of activity as net assets released from restriction.

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the services and programs. Such allocations are determined by management on an equitable, direct basis.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes unrestricted time deposits and highly liquid instruments with initial maturities of three months or less.

Cash balances maintained at financial institutions may exceed federally insured limits. The Organization monitors the health of these banking institutions. Historically, the Organization has not experienced any credit-losses.

Income Taxes

The Organization is a Not-For-Profit Corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The most significant tax position of the Organization is its assertion that it is exempt from income taxes. Other significant tax positions include its determination of whether any amounts are subject to unrelated business tax (UBIT). Management has determined the Organization had no activities subject to UBIT in the year ended December 31, 2020. All significant tax positions have been considered by management and it has determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

The Organization is required to file Form 990 (Return of Organization Exempt from Income Tax) which is subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of the tax return. The Forms 990 for 2017 through 2019 are open to examination by the IRS as of December 31, 2020.

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

The Organization considers all receivables to be fully collectible: no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made

Fixed Assets

Fixed Assets are recorded at cost or estimated fair value on the date received. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Contributed Services

The Organization receives a substantial amount of services donated by its volunteers in carrying out the organization's purpose. No amounts have been reflected in the financial statements for those services.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

(2) CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the Organization at December 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Checking Account	\$ 218,237	\$ 343,525
Savings and Money Markets	<u>308,864</u>	<u>177,627</u>
	\$ <u>527,101</u>	\$ <u>521,152</u>

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(3) FIXED ASSETS

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Building & Improvements	\$3,454,620	\$3,454,620
Equipment	92,029	87,244
Furniture & Fixtures	111,162	110,471
Software	23,698	18,316
Server Upgrade	6,852	6,852
Vehicle	<u>51,966</u>	<u>51,966</u>
	3,740,327	3,729,469
Less: Accumulated Depreciation	<u>1,138,532</u>	<u>1,022,477</u>
Net Fixed Assets	<u>\$2,601,795</u>	<u>\$2,706,992</u>

(4) RECEIVABLES

At December 31, the receivable balance consists of the following:

	<u>2020</u>	<u>2019</u>
Pledges receivable	\$ 5,000	\$ 8,200
Grants receivable	92,288	128,969
Accounts receivable – Members	144	39,973
Less: Reserve for specific client accounts	<u> </u>	<u>3,997</u>
Net accounts receivable – Members	144	35,976
Other receivables	<u>720</u>	<u>360</u>
Total net receivables	<u>\$98,152</u>	<u>\$173,505</u>

(5) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions is available for the following purpose at December 31:

	<u>2020</u>	<u>2019</u>
Musical and craft programs	\$ <u>16,318</u>	\$ <u>11,854</u>

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(6) NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended December 31, 2020 and 2019. Assets were released from restrictions for the following purposes:

	<u>2020</u>	<u>2019</u>
Program services	\$544,038	\$655,495
Musical and craft programs	<u>450</u>	<u>4,246</u>
Total net assets released from restrictions	<u>\$544,488</u>	<u>\$659,741</u>

(7) LOAN PAYABLE

On April 15, 2010, Somerset County granted the Adult Day Center a \$2,000,000 loan to finance the construction of a new facility. The loan has a term of 40 years, bears interest at 1.5%, and is interest-only for the first five years.

On April 1, 2011, Somerset County granted an additional loan of \$750,000 to finance completion of the construction. The second loan carries the same terms as the first loan.

The combined balance on the Somerset County loans at December 31, 2020 and 2019 was \$2,439,228 and \$2,503,247, respectively.

Principal payments on the loans are as follows:

<u>Year</u>	<u>Principal Due</u>
2021	\$64,980
2022	65,953
2023	66,943
Thereafter	<u>2,241,352</u>
	<u>\$2,439,228</u>

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(8) SBA PPP LOAN

On April 24 2020 the Organization secured a U.S. Small Business Administration Paycheck Protection Program Loan in the amount of \$191,585. The loan bears interest at 1% and matures in 2 years. Beginning in the seventh month, payments of principal and interest are due monthly based on an 24-month amortization.

The loan was obtained to cover payroll costs to retain employees during the Coronavirus pandemic. On December 16, 2020 the Organization received full forgiveness of this loan. Accordingly, a Gain on Extinguishment of Debt has been reflected.

(9) (EIDL) ECONOMIC INJURY DISASTER LOAN

On June 2, 2020 the Organization secured an Economic Injury Disaster Loan in the amount of \$150,000. The loan bears interest at 2.75% and matures in 30 years. Installment payments, including principle and interest, of \$641 will begin twelve months from the date of promissory note.

(10) PENSION PLAN

The Organization has a defined contribution pension plan which covers employees who are at least twenty-one (21) years of age and have at least one (1) year of service. The Organization matches 100% of contributions, up to 2% of employee compensation. Employee and employer contributions are 100% vested at all times. Pension expense for the years ended December 31, 2020 and 2019 was \$11,084 and \$10,996, respectively.

(11) CHARITY CARE

The Adult Day Center of Somerset County has never denied or discontinued services due to individuals limited financial resources or inability to pay for services. Charity care is provided to those who cannot pay as well as used to subsidize individuals that pay a rate on the Center's sliding fee scale that is below the daily cost of providing services.

In 2020 the estimated amount of charity care provided to individuals served by the Center was \$254,121.

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(12) CONTINGENT LIABILITIES - GRANTS

The Organization participates in federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes.

The federal and state grants received and expended were subject to the Office of Management and Budget Uniform Guidance and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08, which mandates that grant revenues and expenditures be audited in conjunction with the Organization's annual audit.

Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in the Schedule of Findings and Questioned Costs. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives.

(13) COMMITMENTS AND CONTINGENCIES

The land on which the Organization's facility is located is leased from Somerset County under a forty (40) year lease expiring on December 31, 2050. The County lease calls for annual lease payments of \$100.

(14) SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the financial statement date through October 29, 2021, which is the date the financial statements were available to be issued.

Based on this evaluation, the Organization has determined that there were two subsequent events that have occurred which require disclosure in the financial statements. On February 16, 2021 the Organization received a second PPP Loan in the amount of \$180,147. The Economic Injury Disaster Loan (EIDL) was increased from \$150,000 to \$500,000 on July 28, 2021.

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(15) LIQUIDITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and Cash Equivalents	\$527,101
Receivables, net	<u>98,152</u>
Total Financial Assets	<u>625,253</u>
Donor-imposed restrictions or internal designations:	
General Use	
Musical and craft programs	<u>(16,318)</u>
Total Donor-imposed restrictions or internal designations	<u>(16,318)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$608,935</u>

The Organization's financial assets have been reduced by amounts not available for general use because of donor imposed restrictions.

The Organization's primary sources of support are federal, state and foundation grants, client fees and contributions. Some of the support received is required to be used in accordance with the purpose restrictions imposed by the donors.

The Organization monitors its financial assets for liquidity to be able to meet its operating needs.

(16) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

In the ordinary conduct of its business, the Organization may be a party to litigation. At December 31, 2020, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened, which would have a material adverse effect on the financial position of the Organization.

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	FISCAL YEAR		
			<u>Expenditures</u>	<u>Loans Disbursed</u>	<u>Subrecipient Expenditures</u>
U.S. Department of Health and Human Services:					
Passed-Through:					
New Jersey Department of Health and Senior Services and the Somerset County Office on Aging & Disability Services					
Adult Day Care Services	93.667		\$ 185,624	\$ - 0 -	\$ - 0 -
Passed-Through:					
New Jersey Department of Health and Senior Services					
Alzheimer's Adult Day Services Program	93.044		187,223		
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 372,847</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

ADULT DAY CENTER OF SOMERSET COUNTY, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

(1) GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of Adult Day Center of Somerset County, Inc. The Organization is defined in the Notes to the Organization's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through state and local agencies, is included on the schedule of expenditures of federal awards.

(2) BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(3) RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Organization's basic financial statements.

(4) RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal and state financial reports.

(5) OTHER

Matching contributions expended by the Organization in accordance with terms of the various grants are not reported in the accompanying schedule.

(6) LOANS

The Organization had no year-end loan balances for Reimbursement Loans, Loan Advances and Revolving Loans.

(7) COST RATE

The accompanying schedules include indirect costs that were claimed for reimbursement using a Cost Rate Proposal approved by the pass-through entity.

