

Quality Care Resource & Referral Services, Inc.
d/b/a Quality Care Services, Inc.

Financial Statements and
Supplementary Information

September 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors and Policy Council of
Quality Care Resource & Referral Services, Inc.

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Quality Care Resource and Referral Services, Inc. (a non-profit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects the financial position of Quality Care Resource and Referral Services, Inc. as of September 30, 2022 and 2021, and its changes in net assets, and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Quality Care Resource and Referral Services, Inc. and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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. Management is also responsible 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 Quality Care Resource and Referral Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- 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 Quality Care Resource and Referral Services, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Quality Care Resource and Referral Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those in charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that I identified during the audit.

Report on Other Legal and Regulatory Requirements

Supplementary and Other Information

My 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 on page 18, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for the purpose 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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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*, I have also issued my report dated April 13, 2023 on my consideration of Quality Care Resource & Referral Services, Inc.'s internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Quality Care Resource & Referral Services, Inc. 's internal control over financial reporting and compliance.

Cranford, New Jersey

Frank Glien, LLC, CPA

Frank Glien, LLC

Certified Public Accountant

April 13, 2023

Quality Care Resource & Referral Services, Inc.

Statements of Financial Position

As of September 30,

2022

2021

Assets

Current assets:

Cash	\$ 273,560	\$ 267,041
Grants receivable	34,961	241,536
Other receivables	-	3,750
Prepaid expenses	46,466	8,242
Total current assets	<u>354,987</u>	<u>520,569</u>

Property and equipment	190,444	96,069
Right of use assets	866,971	-
Security deposits	2,000	10,000
	<u>\$ 1,414,402</u>	<u>\$ 626,638</u>

Liabilities and net assets

Liabilities:

Current liabilities:

Accounts payable	\$ 74,842	\$ 180,427
Accrued expenses	18,909	42,176
Estimated liability for HRA claims	265,386	268,256
Grant funds received in advance	49,021	95,482
Lease liability, current portion	61,927	-
Total current liabilities	<u>470,085</u>	<u>586,341</u>

Lease liability, less current portion	805,044	-
	<u>1,275,129</u>	<u>586,341</u>

Net Assets:

Net assets without donor restrictions	139,273	40,297
Net assets with donor restrictions	-	-
Total net assets	<u>139,273</u>	<u>40,297</u>
	<u>\$ 1,414,402</u>	<u>\$ 626,638</u>

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

Quality Care Resource & Referral Services, Inc.

Statements of Activities

For the Years Ended September 30,

2022

2021

Activities Without Donor Restrictions

Support and Revenue

Contributions

Government grants

\$ 3,740,586 \$4,356,757

Cash

137,600 2,112

In-Kind

33,808 44,082

Other income

5,140 71

Total support and revenue

3,917,134 4,403,022

Expenses

Program services

3,125,282 3,702,510

Management and general

638,850 616,612

Fundraising

54,026 67,872

Total expenses

3,818,158 4,386,994

Change in net assets

98,976 16,028

Net assets at beginning of year

40,297 24,269

Net assets at end of year

\$ 139,273 \$ 40,297

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

Quality Care Resource & Referral Services, Inc.

Statements of Functional Expenses

For the Period Ended September 30, 2022

	Program Services			Management and General	Fundraising	Total
	Child and Health Development	Family and Community Services	Total Program Services			
Personnel Expense:						
Salaries	\$ 511,694	\$ 349,187	\$ 860,881	\$ 316,481	\$ 35,165	\$1,212,527
Payroll taxes	47,408	32,351	79,759	29,321	3,258	112,338
Employee benefits	112,359	76,675	189,034	69,494	7,722	266,250
Total personnel expense	671,461	458,213	1,129,674	415,296	46,145	1,591,115
Other Expenses:						
Professional fees	79,944	54,555	134,499	125,856	-	260,355
Provider support	105,267	-	105,267	-	-	105,267
Provider subsidies	1,459,965	-	1,459,965	-	-	1,459,965
Office expense	29,289	19,988	49,277	10,087	7,881	67,245
Facilities	87,597	59,778	147,375	52,359	-	199,734
Travel and meetings	26,868	18,335	45,203	16,059	-	61,262
Training and conferences	13,199	9,008	22,207	7,890	-	30,097
Insurance	12,192	8,320	20,512	7,288	-	27,800
Depreciation	6,719	4,584	11,303	4,015	-	15,318
Total other expenses	1,821,040	174,568	1,995,608	223,554	7,881	2,227,043
Total expenses	\$ 2,492,501	\$ 632,781	\$ 3,125,282	\$ 638,850	\$ 54,026	\$3,818,158

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

Quality Care Resource & Referral Services, Inc.

Statements of Functional Expenses (Continued)

For the Period Ended September 30, 2021

	Program Services			Management and General	Fund- raising	Total
	Child and Health Development	Family and Community Services	Total Program Services			
Personnel Expense:						
Salaries	\$ 457,333	\$ 312,811	\$ 770,144	\$ 279,396	\$31,044	\$1,080,584
Payroll taxes	42,935	29,366	72,301	26,229	2,914	101,444
Employee benefits	167,777	114,758	282,535	102,499	11,389	396,423
Total personnel expense	668,045	456,935	1,124,980	408,124	45,347	1,578,451
Other Expenses:						
Professional fees	183,776	125,701	309,477	125,856	-	435,333
Provider support	221,792	-	221,792	-	-	221,792
Provider subsidies	1,690,210	-	1,690,210	-	-	1,690,210
Office expense	83,633	57,205	140,838	28,829	22,525	192,192
Facilities	78,642	53,791	132,433	33,108	-	165,541
Travel and meetings	14,507	9,922	24,429	6,107	-	30,536
Training and conferences	20,956	14,334	35,290	8,823	-	44,113
Insurance	11,385	7,787	19,172	4,793	-	23,965
Depreciation	2,309	1,580	3,889	972	-	4,861
Total other expenses	2,307,210	270,320	2,577,530	208,488	22,525	2,808,543
Total expenses	\$ 2,975,255	\$ 727,255	\$3,702,510	\$ 616,612	\$67,872	\$4,386,994

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

Quality Care Resource & Referral Services, Inc.

Statements of Cash Flows

For the Years Ended September 30,

2022

2021

Net Cash Provided (Used)By

Operating activities:

Changes in net assets \$ 98,976 \$ 16,028

Adjustments to reconcile changes in net assets
to net cash provided by operating activities:

Depreciation 15,318 4,861

Amortization of right of use asset 84,000 -

Increase (decrease) in cash from:

Grants and other receivables 210,325 (178,508)

Prepaid expenses (38,224) (8,242)

Accounts payable (105,585) 128,992

Accrued expenses (23,267) 9,866

Estimated liability for HRA claims (2,870) 137,738

Grant funds received in advance (46,461) 90,303

192,212 201,038

Investing activities:

Purchase of equipment (109,693) (97,400)

Security deposits 8,000 -

(101,693) (97,400)

Financing activities:

Payment of lease liability (84,000) -

Net increase in cash 6,519 103,638

Cash, beginning of year 267,041 163,403

Cash, end of year \$ 273,560 \$ 267,041

Supplementary disclosures:

Contributed goods and services \$ 33,808 \$ 44,082

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

Note 1. Nature of Organization and Programs

Organization

Quality Care Resource & Referral Services, Inc., d/b/a Quality Care Services, Inc. (“Quality Care” or the “Organization”) is a non-profit organization incorporated in the state of New Jersey that provides childcare support to individuals and families through programs funded by federal sources.

The Organization was originally a fully-funded resource and referral (R&R) agency through June 2015. In 2014 all R&Rs were required to compete with other organizations to continue program implementation for an additional five years. Quality Care lost its bid to another organization and accordingly the R&R program ended in June 2015.

In March 2015 the Organization received an Early Head Start grant (EHS) from the U.S. Department of Health and Human Services. The grant supports eight EHS collaborations and has the capacity to serve 280 infants and toddlers. Because the R&R and EHS grants overlapped, there was no break in the Organization’s services during the transition.

Programs

Early Head Start Program

The Early Head Start-Child Care Partnership (EHS-CCP) program leverages funding between Early Head Start(federal) and state supported child care subsidies to increase the quality of early learning for infants and toddlers ages six weeks to three years.

The program is designed to enhance and support early learning settings by achieving five key objectives; 1) provide full-day/full-year, seamless and comprehensive services that meet the needs of low-income, working families and those in school; 2) increase access to high-quality child care(including family child care); 3) support the development of infants and toddlers through strong relationship-based experiences; 4) prepare infants and toddlers for transition into Head Start and preschool; and 5) serve as a learning laboratory for the future of high-quality infant/toddler care.

Quality Care’s EHS-CCP program serves infants and toddlers in four New Jersey counties (Cape May, Cumberland, Gloucester, and Salem) and partners with eight childcare providers.

Cape May County Council for Young Children (CCYC)

The Cape May County Council for Young Children is part of a larger network of similar projects throughout the state of New Jersey that will serve to increase the quality of programs and services available in Cape May County. The goal is to positively affect the over-all wellbeing of children from six weeks to eight years of age. This goal is accomplished by engaging parents and community in a direct fashion and cultivating their leadership skills through respect, network building and empowerment. Quality Care provides a welcoming environment that is non-threatening; values the input of families and stakeholders; creates opportunities for community as a whole to establish goals and strategies the achieve them; and increases service coordination in the areas of health, education, and social services.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The financial statements of Quality Care Resource & Referral, Inc. have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities.

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. As required by the Not-for-Profit Entities Topic of the FASB ASC, Quality Care is required to report information regarding its financial position and activities according to the following classes of net assets:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed restrictions that are available for use in the Organization's programs under the direction of the Board of Directors and those reserved or designated by the Board for specific purposes.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be fulfilled by the passage of time or actions of the Organization. Items that affect this net asset category include contributions for which donor-imposed restrictions have not been met in the year of receipt, pledges, and corporate grants. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted grants and contributions, are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization. Such net assets do not expire by the passage of time nor can be fulfilled or otherwise removed by the action of management. The restrictions stipulate that resources be maintained permanently but permit management to use income generated at its discretion.

Revenue Recognition-Contributions and Grants

The Organization recognizes revenues in accordance with FASB's Accounting Standards Update (ASU) 2018-08, *Not for Profit Entities (Topic 958) Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Accordingly, revenues are recognized as follows:

Contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restriction. When a restriction expires, net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions that are satisfied in the same period received are reported as increases in net assets without donor restrictions.

Note 2. Summary of Significant Accounting Policies (Continued)

Grants are recorded as either contributions or exchange transactions, in accordance with applicable standards. Grants that are considered contributions are recorded when funds are received and revenue is recognized when allowable expenses are incurred. Funds received in advance of their proper usage are accounted for as grant funds received in advance in the statements of financial position. Funds that are spent in accordance with grant contract requirements but not yet received are accounted for as grants receivable.

Grants that are considered contributions include those from the U.S. Department of Human Services and U.S. Department of Education. Grants that are exchange transactions are based on predetermined rates for services performed. Revenue is recognized in the period the service is performed. The Organization did not receive grants that are considered exchange transactions.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Significant estimates used in these financial statements include the estimated useful lives of depreciable assets, estimated value of contributed goods and services, estimated liability for unemployment and health benefits claims, allocation of functional expenses, accruals, and other liabilities. Actual results could differ from these estimates.

Cash

For cash flow statement purposes, cash includes demand deposits, time deposits and highly liquid debt instruments with initial maturities of three months or less.

Contributed Goods and Services

Contributed goods are recorded at fair value at the time of the contribution. Such contributions are recorded as unrestricted support unless the donor has restricted the asset to a specific purpose. The value of contributed services is recognized in the financial statements if such contributions increase the value of non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would normally need to be purchased if not donated. Certain amounts have not been recognized in these financial statements for the services of volunteers, as these services did not meet the criteria for recognition. However, during the fiscal years September 30, 2022 and 2021, the Organization received donated services of volunteers valued at \$ 104,169 and \$ 134,777 respectively. Federal matching requirements are met, in part, through the donated services of volunteers.

Tax Status and Uncertain Tax Positions

Quality Care is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar state provisions. It is also considered a public charity under appropriate sections of the Code, which allow donations to the Organization to be deductible as charitable contributions on income tax returns.

The Organization's accounting policy is to evaluate uncertain tax positions and assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position. If the tax position does not meet the criteria for recognition, that position is not recognized in the financial statements. Management has determined that it does not have uncertain tax positions required to be reported.

Property and Equipment

Property and equipment are recorded at cost or if donated, at fair value at the date of donation. Expenditures that significantly increase the useful lives of assets are capitalized and depreciated over their estimated useful lives. Minor replacements, maintenance and repairs are charged to expense as incurred. Major additions, betterments, and equipment in excess \$5,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 10 years.

Note 2. Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

Management reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

Functional Allocation of Expenses

The costs of providing programs and services have been summarized on a functional basis in the Statements of Functional Expenses. Expenses directly attributable to a function are charged to that function. Expenses that cannot be directly charged to a specific function are allocated based on management's best estimate of the percentage attributable to each function.

Certain expenses attributable to more than one function are allocated based on a reasonable estimate that is consistently applied. Salaries are allocated based on reasonable estimates of time and effort. Occupancy, depreciation, and insurance are allocated by head count or percentage of salaries. Office expenses are allocated based on management's best estimate of usage.

Cost Allocation

Various funding sources provide support for the Organization's programs and most expenses, such as salaries and related costs, are charged directly to the program. General and administrative costs are allocated in accordance with the simplified allocation method contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. (Uniform Guidance)

Grants and Other Receivables

Grants and other receivables are stated at unpaid balances. Normally these amounts are deemed to be fully collectible. However, management regularly reviews the collectability of accounts based on prior experience and will establish an allowance for bad debt for amounts that may be uncollectible. For the years ended September 30, 2022 and 2021 no allowance was recorded for grants and other receivables.

Interest Income

Interest earned on grant funds may be subject to return to the grantor depending on the requirements of the grant. Interest earned on funds received from the U.S. Department of Health and Human Services Head Start program in excess of \$250 is returnable to the grantor. For all other grants, interest income is retained and used to further program activities.

Note 2. Summary of Significant Accounting Policies (Continued)Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (“FASB” or “the Board”) issued new leasing standards as ASU 2016-02 (“ASC 842” or “the new standard”) for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (“ROU”) assets and related lease liabilities on the balance sheet for all arrangements with terms longer than 12 months. The pattern of expense recognition in the income statement will depend on a lease’s classification. The FASB also issued this update to increase transparency and comparability among organizations by disclosing key information about leasing arrangements.

The effective dates that were applicable to Quality Care for the new standard were originally for fiscal years beginning after December 15, 2019, however, FASB issued two effective date deferrals for certain entities, which included not-for-profits. When not-for-profits do not have bonds that are traded, listed, or quoted on an exchange, this guidance is not effective until fiscal years beginning after December 15, 2021, however, earlier implementation is recommended.

As a result of moving into a new administration building in October 2021, which required a new lease agreement, Management decided to early implement ASU 2016-02. The adoption of this Statement had a material impact on the current fiscal year financial statements. There was no impact on the prior fiscal year statements since Quality Care was operating on a month-to-month rental agreement during the prior fiscal year in anticipation of the relocation. The month-to-month rental agreement that Quality Care operated with during fiscal year 2021 would not have been classified as a lease under the new standards. The Lease footnote that further explains the impact of the new standard on the fiscal year 2022 financial statements.

Subsequent Events

Subsequent events have been evaluated through April 13, 2023, which is the date the financial statements were available to be issued.

Note 3. Concentration of Credit Risks

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash held in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). From time to time these balances may exceed federal deposit insurance limits. At September 30, 2022 and 2021 there were no uninsured balances.

Note 4. Property and Equipment

Property and equipment as of September 30, 2022 and 2021 consisted of the following:

	Estimated Useful Life	2022	2021
Leasehold improvements	5 Years	\$ 47,989	\$ 13,768
Equipment	10 Years	159,104	97,400
Vehicle	8 Years	21,865	21,865
		<u>228,958</u>	<u>133,033</u>
Less: accumulated depreciation		<u>(38,514)</u>	<u>(36,964)</u>
		<u>\$ 190,444</u>	<u>\$ 96,069</u>

Quality Care Resource & Referral Services, Inc.

Notes to the Financial Statements

Note 4. Property and Equipment (Continued)

Depreciation expense was \$15,318 and \$4,861 respectively for the years ended September 30, 2022 and 2021.

Property and equipment purchased with grant funds are owned by Quality Care while used in the programs for which they were purchased or in other future authorized programs. Funding sources, on the other hand, have reversionary interest in such property and equipment purchased with grant funds. The disposition of the property, as well as ownership of the proceeds from disposition, is subject to funding source regulations.

Note 5. In-Kind Contributions

The Organization recognized donated professional services, use of space and materials as follows during the year ended September 30, 2022 and 2021:

	2022			2021		
	Program	Management and General	Total	Program	Management and General	Total
Contributed goods	\$ -	\$ -	\$ -	\$ 5,856	\$ -	\$ 5,856
Professional services	-	-	-	24,866	-	24,866
Donated use of space	24,947	8,861	33,808	10,688	2,672	13,360
	<u>\$ 24,947</u>	<u>\$ 8,861</u>	<u>\$ 33,808</u>	<u>\$ 41,410</u>	<u>\$ 2,672</u>	<u>\$ 44,082</u>

In fiscal years 2022 and 2021 the Organization received donated services from parents, grandparents, and board members valued at \$104,169 and \$ 134,777 respectively. The value of these contributed services was not recorded in the financial statements as they do not meet the criteria for recognition under U.S. GAAP, but are recognized for federal matching purposes. Contributed goods, services and space are valued at rates approved by the U.S. Department of Health and Human Services, which approximate market value.

Note 6. Compensated Absences

Employees of Quality Care are entitled to paid time off (PTO) depending on their length of service. PTO is earned at a specified rate, typically four weeks per year when certain employment requirements are met. The Organization requires its employees to take PTO in the year earned and carryover earned but unused PTO to future years is normally not permitted. PTO is recognized when taken and accordingly, no provision for unused PTO at year end has been recorded in the financial statements.

Note 7. Retirement Plans

Quality Care maintains a contributory tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code and in accordance with the Employee Retirement Income Security Act, which covers substantially all eligible employees. Eligibility to participate in the salary reduction contribution portion of the plan commences from date of hire. Employees who have one year of service are eligible to receive employer contributions to the plan. Employer contributions are discretionary and are determined on a year-to-year basis. Employees are fully vested in both their own elective contributions and the employers' contributions at all times. There are no unfunded costs with this type of plan. Expenses for the plan amounted to \$20,674 and \$17,502 for the years ended September 30, 2022 and 2021.

Note 8. Economic Dependency

Quality Care receives substantial support in the form of grants from and state sources. In the year ended September 30, 2022 and 2021 the Organization received approximately 99% of its total income from two funders. These funds were used to provide day care and instructional services to preschool students and social services to community residents. The loss of any one of these funders could have an adverse impact on the Organization in the short term. Continued operations of the Organization are dependent on compliance with the terms of the respective grants and contracts and the on-going approval of funds by governmental sources.

Note 9. Commitments and Contingencies

Litigation

Quality Care is subject to legal claims and litigation arising out of the ordinary course of business. Although such claims could require the use of significant financial and management resources, management believes that the Organization is adequately covered by insurance in the event of an unfavorable outcome.

Other Commitments and Contingencies

The Organization receives funds from and state sources that are subject to audits by the awarding agencies. The result of such audits could subject the Organization to return of funds. Management is not aware of any material adjustments that would be necessary as the result of an audit and, accordingly, no provision has been made in the financial statements for any adverse effect of an audit. The Organization is also required to match 25% of the grant funds received from the Early Head Start grant with funds from non-federal sources. Management believes that it is in substantial compliance with all grant requirements, including those related to matching and disallowed costs, and noncompliance, if any would not be significant.

Note 10. Payroll Tax and Annual Information Returns

Quality Care has filed all of its payroll tax returns and has paid all payroll tax liabilities for the years ended September 30, 2022 and 2021. The Organization will file its federal Form 990 and New Jersey Charitable Registration Statement for the year ended September 30, 2022 at the completion of its annual audit. These returns were timely filed for fiscal year 2021.

Note 10. Payroll Tax and Annual Information Returns (Continued)

The Organization's federal information returns are subject to review by the Internal Revenue Service three years after they are filed. Generally, federal information returns are not subject to review by the Internal Revenue Service for the tax years before 2019. In the event that management determines that it is subject to interest and penalties, these expenses will be recognized as a component of general and administrative expenses and will not be charged to a federal or state grant.

Quality Care Resource & Referral Services, Inc.

Notes to the Financial Statements

Note 11. Leases

General Description of Financing Lease

As of September 30, 2022, Quality Care has entered into a lease arrangement for their main location, which serves multiple functions, including but not limited to, a meeting center, storage and distribution center, and an administration building. This building is also the home location for all employees, both program and administrative employees. Quality Care has the right to obtain substantially all the economic benefits from use of the building and the right to direct the use of the building.

The Lease began on October 1, 2021 and expires over a ten-year period. Quality Care has the right to exercise a five-year extension option by giving one hundred and eighty (180) days advance notice in writing prior to expiration of initial term.

To the extent that the initial lease term of the related lease is less than the useful life of the leasehold improvements, we conclude that it is reasonably certain that a renewal option will be exercised, and thus that renewal period is included in the lease term, and the related payments are reflected in the right-of-use (ROU herein) asset and lease liability. As such, Quality Care has several leasehold improvements in the building which are estimated to have between 15-20 year lives. Therefore, for the purposes of financial accounting only, it is assumed the extension option will be exercised and the lease, and the associated right of use asset (the building) and lease liability are amortized over 15 years.

Lease Assets, Liabilities and Amortizations

The amounts recognized as ROU assets related to finance leases are presented below Property and equipment, net in the accompanying statement of financial position, while related lease liabilities are included in Lease liability, current and Lease liability, net of current. As of September 30, 2022, and 2021, ROU assets and lease liabilities related to finance leases were as follows:

Right of Use Asset Amortization Schedule				
<u>Year</u>	<u>Beginning</u>	<u>Addition</u>	<u>Amortization</u>	<u>Ending</u>
FY 2022	\$ -	\$ 928,898	\$ 61,927	\$ 866,971
FY 2023	866,971		61,927	805,044
FY 2024	805,044		61,927	743,117
FY 2025	743,117		61,927	681,190
FY 2026	681,190		61,927	619,263
FY 2027	619,263		61,927	557,336
FY 2028	557,336		61,927	495,409
FY 2029	495,409		61,927	433,482
FY 2030	433,482		61,927	371,555
FY 2031	371,555		61,927	309,628
FY 2032	309,628		61,927	247,701
FY 2033	247,701		61,927	185,774
FY 2034	185,774		61,927	123,847
FY 2035	123,847		61,927	61,920
FY 2036	61,920		61,920	-
			<u>\$ 928,898</u>	

Lease Payment Schedule			
Lease Interest Rate = 5%			
<u>Year</u>	<u>Total</u>	<u>Lease Principal</u>	<u>Lease Interest</u>
FY 2022	\$ 84,000	\$ 81,769	\$ 2,231
FY 2023	84,624	78,366	6,258
FY 2024	85,265	75,116	10,149
FY 2025	85,904	71,997	13,907
FY 2026	86,548	69,006	17,542
FY 2027	87,198	66,141	21,057
FY 2028	87,852	63,392	24,460
FY 2029	88,510	60,758	27,752
FY 2030	89,174	58,236	30,938
FY 2031	89,843	55,819	34,024
FY 2032	92,610	54,734	37,876
FY 2033	92,610	52,071	40,539
FY 2034	92,610	49,536	43,074
FY 2035	92,610	47,126	45,484
FY 2036	92,610	44,831	47,779
	<u>\$ 1,331,968</u>	<u>\$ 928,898</u>	<u>\$ 403,070</u>

Quality Care Resource & Referral Services, Inc.
 Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2022

Federal/State Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Contract Number	Current Year Expenditures
<u>U.S Department of Health and Human Services</u>			
Direct program:			
Early Head Start Program <i>Contract period: 9/1/20 to 8/31/21</i> <i>Contract amount: \$3,849,949</i>	93.600	02HP000339-02	\$ 26,693
<i>Contract period: 9/1/21 to 8/31/22</i> <i>Contract amount: \$ 3,755,025</i>	93.600	02HP000339-03	3,382,301
<i>Contract period: 9/1/22 to 8/31/23</i> <i>Contract amount: \$ 3,861,067</i>	93.600	02HP000339-04	204,118
Early Head Start-COVID <i>Contract period: 4/1/21 to 3/31/23</i> <i>Contract amount: \$84,271</i>	93.600	02HE000103-02	4,400
<i>Contract period: 4/1/21 to 3/31/22</i> <i>Contract amount: \$335,020</i>	93.600	02HE000103-01	37,572
			<u>\$ 3,655,084</u>
<u>U.S. Department of Education</u>			
Passed through:			
N.J Department of Children and Families			
Division of Child Protection and Permanency <i>Contract period: 1/1/21 to 12/31/21</i> <i>Contract amount: \$75,000</i>	84.412	21BCES	\$ 13,630
<i>Contract period: 1/1/22 to 12/31/22</i> <i>Contract amount: \$75,000</i>	84.412	22BCES	65,605
			<u>79,235</u>
			<u>\$ 3,734,319</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

Note 1. General Information

The accompanying Schedule of Expenditures of Federal Awards presents the activities in all the federal programs of Quality Care Resource & Referral Services, Inc. All financial assistance received directly from federal agencies as well as financial assistance passed through other governmental agencies are included on the schedule.

Note 2. Basis of Accounting

The accompanying schedule is presented on the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on a cash or modified accrual basis of accounting.

Note 3. Relationship to Basic Financial Statements

Federal awards expenditures are reported on the statement of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported on the Schedule of Expenditures of Federal Awards due to program expenditures exceeding grant or contract budget limitations or due to the application of accounting policies required under accounting principles generally accepted in the United States of America.

Note 4. Sub-Recipients

Of the federal expenditures presented in this schedule, no expenditures were used to provide federal awards to sub-recipients.

Note 5. Indirect Cost Rate

The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

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*

To the Board of Directors and Policy Council of
Quality Care Resource & Referral Services, Inc.

I have audited, 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, the financial statements of Quality Care Resource & Referral Services, Inc. (Quality Care) (a non-profit organization) which comprise the statement of financial position as of September 30, 2022 and 2021 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated April 13, 2023.

Internal Control over Financial Reporting

In planning and performing my audits of the financial statements, I considered Quality Care's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Quality Care's internal control. Accordingly, I do not express an opinion on the effectiveness of Quality Care'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 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Quality Care's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

Cranford, New Jersey

Frank Glien, LLC, CPA

Frank Glien, LLC

Certified Public Accountant

April 13, 2023

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by Uniform Guidance

To the Board of Directors and Policy Council of
Quality Care Resource & Referral Services, Inc.

Report on Compliance for Each Major Federal

Opinion on Each Major Federal Program

I have audited Quality Care Resource and Referral Services, Inc. (Quality Care) 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 Quality Care's major federal and programs for the year ended September 30, 2022. Quality Care's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Quality Care Resource and Referral Services, Inc. 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 September 30, 2022.

Basis for Opinion on Each Major Federal Program

I conducted my 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; 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). My responsibilities under those standards, Uniform Guidance and Circular are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Quality Care Resource and Referral Services, Inc. and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Quality Care'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 Quality Care's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My 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 Quality Care' compliance based on my 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*, the Uniform Guidance 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 Quality Care' 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 I:

- 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 Quality Care' compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Quality Care' 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 Quality Care' internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I 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.

My 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 my audit I did not identify any deficiencies in internal control over compliance that I 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.

My 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 my 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.

Cranford, New Jersey

Frank Glien, LLC, CPA

Frank Glien, LLC

Certified Public Accountant

April 13, 2023

Quality Care Resource & Referral Services, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2022

Section I-Summary of Auditor’s Results

Financial Statement Section

- | | |
|--|------------|
| 1. Type of auditor’s report issued | Unmodified |
| 2. Internal control over financial reporting | |
| • Material weakness (es) identified? | None noted |
| • Were significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Non-compliance material to the financial statements? | None noted |

Federal Awards Section

- | | |
|---|------------|
| 1. Dollar threshold used to determine Type A programs | \$ 750,000 |
| 2. Auditee qualified as a low-risk auditee | Yes |
| 3. Type of auditor’s report on compliance | Unmodified |
| 4. Internal control over compliance | |
| • Material weakness (es) identified? | None noted |
| • Were significant deficiencies identified not considered to be material weaknesses? | None noted |
| • Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance | None noted |
| 5. Identification of major programs: | |

CFDA Number
93.600

Name of Federal Program
Head Start (Early Head Start)

Quality Care Resource & Referral Services, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2022

Section II- Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV-Follow Up of Prior Audit Findings

There were no federal award findings or questioned costs for the year ended September 30, 2021.

Financial Statements

Supplementary Information

Compliance and Internal Control