

**WESTCHESTER INSTITUTE FOR HUMAN
DEVELOPMENT
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Westchester Institute For Human Development
Valhalla, New York

Opinion

We have audited the accompanying financial statements of Westchester Institute For Human Development (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the results of its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Codification Topic 842, *Leases*, as of January 1, 2022, using the modified retrospective method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
May 25, 2023

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current assets:	
Cash	\$ 3,519,989
Certificates of deposit	202,835
Investments	3,848,830
Receivables:	
Medical, net of allowance for doubtful accounts of \$50,000	827,848
Contract, net of allowance for doubtful accounts of \$180,238	2,916,720
Grants	1,181,101
Other	12,334
Prepaid expenses	<u>230,973</u>
Total current assets	12,740,630
Operating lease right-of-use asset, net	5,231,374
Finance lease right-of-use asset, net	34,502
Certificates of deposit, less current portion	2,376,000
Property and equipment, net	<u>817,448</u>
TOTAL ASSETS	<u>\$ 21,199,954</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Current portion of operating lease liability	\$ 2,309,009
Current portion of finance lease liability	14,759
Accounts payable and accrued expenses	553,454
Accrued payroll and compensated absences	918,786
Due to third party payors	932,268
Refundable advances	<u>6,039</u>
Total current liabilities	4,734,315
Operating lease liability, less current portion	2,922,365
Finance lease liability, less current portion	<u>19,931</u>
Total liabilities	<u>7,676,611</u>
Commitment and contingencies (Notes 7, 9, and 10)	
Net assets:	
Without donor restrictions	12,843,107
With donor restrictions	<u>680,236</u>
Total net assets	<u>13,523,343</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,199,954</u>

See accompanying notes to financial statements.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Patient service revenue (net of contractual allowances discounts and provisions for bad debts)	\$ 7,160,574	\$ -	\$ 7,160,574
Contracted services	9,594,393	-	9,594,393
Grant and program support	5,130,627	397,513	5,528,140
Losses on investments, net	(838,055)	-	(838,055)
Interest and dividend income, net	65,085	-	65,085
Net assets released from restrictions	<u>8,105</u>	<u>(8,105)</u>	<u>-</u>
Total revenue and support	<u>21,120,729</u>	<u>389,408</u>	<u>21,510,137</u>
Expenses:			
Program services	19,686,789	-	19,686,789
Management and general	2,486,277	-	2,486,277
Fundraising	<u>201,468</u>	<u>-</u>	<u>201,468</u>
Total expenses	<u>22,374,534</u>	<u>-</u>	<u>22,374,534</u>
Change in net assets from operations	<u>(1,253,805)</u>	<u>389,408</u>	<u>(864,397)</u>
Non operating revenues:			
Contributions and other	429,216	-	429,216
Forgiveness of debt, Paycheck Protection Program loan (Note 9)	1,950,000	-	1,950,000
Net assets released from restriction for property and equipment	<u>132,274</u>	<u>(132,274)</u>	<u>-</u>
Total nonoperating revenues	<u>2,511,490</u>	<u>(132,274)</u>	<u>2,379,216</u>
Change in net assets	1,257,685	257,134	1,514,819
Net assets - beginning	<u>11,585,422</u>	<u>423,102</u>	<u>12,008,524</u>
NET ASSETS - ENDING	<u><u>\$ 12,843,107</u></u>	<u><u>\$ 680,236</u></u>	<u><u>\$ 13,523,343</u></u>

See accompanying notes to financial statements.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services					
	Medical Services	Community Services	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 4,357,576	\$ 7,987,050	\$ 12,344,626	\$ 1,250,049	\$ 74,600	\$ 13,669,275
Payroll taxes and fringe benefits	819,284	1,525,648	2,344,932	177,721	29,718	2,552,371
Payroll fees	9,603	18,459	28,062	2,155	174	30,391
Technical services	562	38,185	38,747	-	-	38,747
Hearing aids	179,897	-	179,897	-	-	179,897
Consultant fees	9,031	63,700	72,731	432,711	2,225	507,667
Legal fees	480	2,694	3,174	19,411	-	22,585
Employee travel	-	34,867	34,867	486	51	35,404
Membership fees	12,832	2,597	15,429	23,548	1,319	40,296
Training and development	1,982	37,926	39,908	4,748	427	45,083
Miscellaneous	32,705	93,141	125,846	38,230	34,950	199,026
Office supplies	16,081	35,643	51,724	13,415	10,243	75,382
Medical supplies	203,154	252	203,406	1,341	-	204,747
Repairs and maintenance	25,447	9,397	34,844	5,879	-	40,723
Contract services	59,334	394,021	453,355	308,041	7,364	768,760
Rent	1,146,947	1,087,706	2,234,653	93,112	29,563	2,357,328
Medical billing services	176,108	64,658	240,766	-	-	240,766
Insurance	147,213	216,252	363,465	15,657	-	379,122
Computer and telephone services	199,838	419,098	618,936	39,196	8,916	667,048
Bank and credit card fees	231	2,478	2,709	10,422	955	14,086
Interest	-	-	-	453	-	453
Total expenses before depreciation	7,398,305	12,033,772	19,432,077	2,436,575	200,505	22,069,157
Depreciation and amortization	120,503	134,209	254,712	49,702	963	305,377
Total expenses	<u>\$ 7,518,808</u>	<u>\$ 12,167,981</u>	<u>\$ 19,686,789</u>	<u>\$ 2,486,277</u>	<u>\$ 201,468</u>	<u>\$ 22,374,534</u>

See accompanying notes to financial statements.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ 1,514,819
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	305,377
Net realized gains on investments	(252,247)
Change in net unrealized gains on investments	1,090,302
Forgiveness of debt, Paycheck Protection Program loan	(1,950,000)
Changes in operating assets and liabilities:	
Receivables	(485,885)
Prepaid expenses	(6,795)
Accounts payable and accrued expenses	(94,167)
Accrued payroll and compensated absences	(118,546)
Due to third party payors	2,500
Refundable advances	<u>(278,875)</u>
Net cash used in operating activities	<u>(273,517)</u>
Cash flows from investing activities:	
Proceeds from sales of investments	1,467,766
Purchase of investments, including reinvested interest	(1,529,856)
Purchase of certificates of deposit, including reinvested interest	(1,507,936)
Purchase of property and equipment	<u>(257,388)</u>
Net cash used in investing activities	<u>(1,827,414)</u>
Cash used in financing activities, payments on finance lease liability	<u>(14,598)</u>
Net decrease in cash	(2,115,529)
Cash - beginning	<u>5,635,518</u>
CASH - ENDING	<u>\$ 3,519,989</u>
Supplemental disclosures for non-cash investing and financing activities:	
Property and equipment purchases included in accounts payable	\$ <u>16,420</u>
Operating right-of-use asset and liability recognized in connection with implementation of ASC 842 on January 1, 2022	\$ <u>7,515,568</u>
Finance right-of-use asset and liability recognized in connection with implementation of ASC 842 on January 1, 2022	\$ <u>49,288</u>

See accompanying notes to financial statements.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of organization

Westchester Institute for Human Development ("the Organization") creates better futures for people with disabilities, for vulnerable children, and for their families and caregivers. As one of only 67 University Centers for Excellence in Developmental Disabilities, the Organization focuses on health care, early intervention, community-based services, inclusive and meaningful education, transition from school to work, employment, housing and assistive technology.

The Organization operates a diagnostic and treatment center in Valhalla, New York, certified pursuant to Article 28 of the New York State Public Health Law. The treatment center offers a wide range of medical services to individuals with intellectual and developmental disabilities. The Organization provides a wide variety of programs and services to individuals, families and professionals throughout Westchester County and the Lower Hudson Valley through contracts with various third parties, state and local agencies. Services include early intervention service coordination, supports for children in foster care, programs for children who have been victims of abuse, and a variety of supports and services to enable individuals with disabilities and their families to have the tools necessary to make informed choices and decisions about their own lives. The Organization is guided by a vision of a future in which all people, including people with disabilities and vulnerable children, live healthy and productive lives as full members of society.

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Operations are supported primarily by revenues from provision of services and government grants.

Recently adopted accounting pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* Accounting Standards Codification ("ASC") 842 as amended, which requires the recording of operating lease right-of-use assets and lease liabilities and the expanded disclosure for operating and finance leasing arrangements. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. The Organization adopted ASC 842 under the modified retrospective method at January 1, 2022, the beginning of the adoption year.

The Organization adopted the package of practical expedients available at transition that retained the lease classification under ASC 840 and initial direct costs for any leases that existed prior to adoption of the standard. Contracts entered into prior to adoption were not reassessed for leases or embedded leases. In addition, the Organization used hindsight in determining lease term and considerations for impairment. The Organization made the accounting policy elections to not recognize short-term leases on the statement of financial position and to utilize the risk-free discount rate when the rate implicit in the lease is not readily determinable.

In addition, at the date of initial application, the Organization recorded an operating right-of-use asset and operating lease liability of \$7,515,568 and a finance right-of-use asset and finance lease liability of \$49,288.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued but not yet effective accounting pronouncement

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. ASU 2016-13 is effective for private companies for fiscal years beginning after December 15, 2022, including interim periods within those annual reporting periods, with early adoption permitted. The Organization is currently evaluating the impact of the new standard on its financial statements and related disclosures.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The allowance for doubtful accounts is a significant estimate used in the preparation of the accompanying financial statements.

Basis of presentation

The financial statements of the Organization have been prepared in accordance with U.S. GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are 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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents, with the exception of cash invested in certain money market funds, which are classified as investments for financial statement purposes. The Organization had no cash equivalents at December 31, 2022.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents (continued)

The Organization maintains its cash accounts with a financial institution whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2022, the Organization had \$4,470,185 on deposit in excess of the amount insured by the FDIC.

Certificates of deposit

Certificates of deposit are stated at cost plus accrued interest and are subject to similar risks as noted in cash and mature through various dates from August 2023 through October 2027. Certificates of deposit that mature in less than 1 year are classified as current assets on the statement of financial position.

Investments

The Organization's investments, which are comprised of both debt and equity securities, are stated at fair value. Equity securities are classified as investments with readily determinable fair values. Debt securities are classified as other-than-trading securities. Total unrealized loss on investments held as of December 31, 2022 were \$(1,090,302). Realized gains and losses are computed based on the specific identification method for the securities sold.

The Organization's investments are maintained in a professionally managed portfolio and are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the financial statements.

The Organization evaluates its debt securities for other-than-temporary impairment on an ongoing basis. A decline in the fair value of an other-than-trading security below cost that is deemed to be other than temporary results in a new cost basis for the security which is equivalent to its fair value. In evaluating other-than-temporary impairment, the Organization considers its intent and ability to hold the investment until recovery and other relevant factors. During the year ended December 31, 2022 there was no such impairment.

Fair value measurements

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements (continued)

The three levels of the fair value hierarchy are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Medical and contract accounts receivables

Medical and contract accounts receivables are stated at the amount the Organization expects to collect.

The Organization provides for probable uncollectible amounts through a charge to bad debt expense and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to receivables. The Organization does not obtain collateral for amounts due.

Approximately 26% and 50% of the Organization's medical accounts receivables is due from the state of New York Medicaid and Federal Medicare programs, respectively. Approximately 81% of contract receivables were derived through contracts with Westchester County, New York.

At December 31, 2022 and 2021, gross medical and contract receivables was \$3,974,806 and \$3,043,796, respectively.

Property and equipment

Property and equipment are stated at cost, less accumulated depreciation. The Organization capitalizes individual assets with a cost greater than \$500 and a useful life of more than one year. Capital purchases made with grantor funds are capitalized in accordance with grant stipulations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Useful lives range from three to five years.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

The Organization evaluates long-lived assets held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Organization evaluated operations for the year ended December 31, 2022 and determined no assets are impaired.

Leases

The Organization has an operating lease agreement for their office space through March 31, 2025. The Organization determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the statement of financial position.

The lease term include the noncancellable portion of the underlying lease along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. The Organization uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments. The lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Leases with an initial term of 12 months or less are not recorded on the statement of financial position; the Organization recognizes lease expense for these leases on a straight-line basis over the lease term.

Due to third party payors

Due to third party payors represents estimated amounts received for patient services in excess of billing and the estimated effect of potential retrospective rate adjustments.

Performance indicator

In the accompanying statement of activities and changes in net assets, the primary indicator of the Organization's results is the "*decrease in net assets from operations*." As such, it includes all operating support and revenue and operating expenses. Contributions and other, forgiveness of debt, Paycheck Protection Program loan, and releases of net assets with donor restrictions for property and equipment purchases are included as a component of "*nonoperating revenues*" in the statement of activities and changes in net assets.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient revenue recognition

Revenue recognition

Revenue is measured based on estimated net realizable amounts from patients, third-party payors and others for services rendered. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The majority of the Organization's revenue originates from contracts with customers to provide various medical and social services to individuals with disabilities and at risk children and adults. The majority of the Organization's services are treated as a single performance obligation that is satisfied over time as the services are rendered. The Organization's standard payment terms are within 30 days from billing.

The Organization determines the transaction price based on contractually agreed upon rates, adjusted for estimates of variable consideration, such as implicit price concessions. Variable consideration also exists as the Organization's third-party revenue is paid principally at prospectively determined rates. Reimbursements received by payor reimbursement programs under the provisions of applicable reimbursement formulas or negotiated rates in effect, which cover substantially all payors, generally results in the amount received being less than the Organization's established billing rates. Revenue is recorded at the agreed upon rates established on a contractual basis with these programs.

Federal and state regulations provide for certain retrospective adjustments to current and prior year's payment rates based on industry-wide and Organization-specific data. In addition, amounts previously paid to the Organization are subject to review and adjustment. The Organization has estimated the potential impact of such retrospective adjustments based on information presently available. Any differences between estimated retrospective adjustments and subsequent revisions will be reflected in the statement of activities and changes in net assets in the year that revisions are calculated.

Disaggregation of revenues

The Organization provides health, human, and social services to adults and children with developmental disabilities, and their families, who have third-party financial coverage (principally New York Medicaid) in Westchester County, New York and surrounding communities. Therefore, the Organization's viability is dependent on a number of factors such as the volume of individuals served, rates of reimbursement, changes to Medicaid and other third-parties programs, and the Organization's ability to collect on its contracts. All of the Organization's patient and contract service revenue for financial reporting purposes are recorded over time as the services are rendered.

Net patient service revenue from third-party payors totaled \$7,071,506 for the year ended December 31, 2022.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient revenue recognition (continued)

Disaggregation of revenues (continued)

For the year ended December 31, 2022 approximately 30% and 51% of the Organization's patient service revenue is derived from the state of New York Medicaid and Federal Medicare programs, respectively.

Significant risks and uncertainties

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation for which action for noncompliance includes fines, penalties, and exclusion from the Medicare and Medicaid programs. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

Contracted service revenue recognition

Contracted service revenue is also derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures or provided the related services in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures or providing the related services are reported as refundable advances in the statement of financial position.

For the year ended December 31, 2022 approximately 40% of contracted service revenue was derived through contracts with Westchester County, New York.

Contracted services are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds or awarding of contracts. Any liability for reimbursement which might arise out of these audits is not considered by the Organization to be material.

Grant and contribution revenue

Grant and contribution revenue consists of gifts from private donors and foundations. Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant and contribution revenue (continued)

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

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Grants and contributions received with donor-imposed or grantor-imposed restrictions that are fulfilled in the same year as received are reported as support without donor restrictions.

Grants and contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. No allowance was deemed necessary as of December 31, 2022.

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Payroll taxes and fringe benefits	Time and effort
Payroll fees	Time and effort
Rent	Square footage
Insurance	Time and effort and usage
Computer and telephone services	Time and effort and usage
Depreciation	Square footage

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NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. As a not-for-profit entity, the Organization is subject to unrelated business income tax ("UBIT"), if applicable. In accordance with FASB ASC 740, *Income Taxes*, the Organization applies the "more likely than not" threshold to the recognition and derecognition of tax positions for its financial statements. Management has evaluated the Organization's tax positions and has concluded that there were no uncertain tax positions that qualified for either recognition or disclosure in these financial statements.

The Organization files informational returns in the U.S. federal jurisdiction and the state of New York.

Subsequent events

The Organization has evaluated subsequent events through May 25, 2023, the date the accompanying financial statements were available to be issued. Except as disclosed in Note 6, there were no other material subsequent events that required recognition or disclosure in these financial statements.

NOTE 2. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets as of December 31, 2022:

Financial assets at year-end:

Cash	\$ 3,519,989
Certificates of deposit	202,835
Investments	3,848,830
Receivables, net	<u>4,938,003</u>

Total financial assets at year-end 12,509,657

Less amounts not available to be used within one year, net assets
with donor restrictions 680,236

Financial assets available to meet general expenditures over the next
twelve months \$ 11,829,421

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$5,520,000). With board approval, as part of the Organization's liquidity management, the Organization invests its cash in excess of quarterly requirements in marketable securities and certificates of deposit. In addition to the above amounts, the Organization also has a line of credit of \$1,500,000 (Note 6).

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NOTE 3. INVESTMENTS

Assets measured at fair value are based on one or more of the following valuation techniques:

- (a) *Market approach*: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach*: Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach*: Techniques to convert future amounts to single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following table summarizes the Organization's investments measured at fair value on a recurring basis as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Valuation Technique</u>
Money market funds	\$ 114,512	\$ -	\$ -	\$ 114,512	(a)
Fixed income bonds:					
A rated	-	557,350	-	557,350	(a)
BBB rated	-	1,021,800	-	1,021,800	(a)
Other	-	46,680	-	46,680	(a)
Equities:					
Information technology	303,352	-	-	303,352	(a)
Healthcare	246,625	-	-	246,625	(a)
Other	<u>1,558,511</u>	<u>-</u>	<u>-</u>	<u>1,558,511</u>	(a)
	<u>\$ 2,223,000</u>	<u>\$ 1,625,830</u>	<u>\$ -</u>	<u>\$ 3,848,830</u>	

Money market funds and equities owned by the Organization and listed on a National Securities Exchange are valued at the quoted sales price as of the financial statement reporting date.

Bonds are valued using pricing models maximizing the use of observable inputs for similar securities or identical securities on inactive markets. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Investment fees for the year ended December 31, 2022, totaled approximately \$30,000, and are shown net with interest and dividend income on the statement of activities and changes in net assets.

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NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022:

Furniture and office equipment	\$ 280,546
Computer equipment and software	3,429,693
Medical equipment	916,017
Dental vans	375,420
Transportation equipment	32,493
Leasehold improvements	<u>723,696</u>
	5,757,865
Less: accumulated depreciation	<u>4,940,417</u>
	<u><u>\$ 817,448</u></u>

NOTE 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes for the year ended December 31, 2022:

Mobile Clinic Van	\$ 267,726
Individuals with IDD	150,000
Children with ASD	122,513
Disability Roadmap Film project	<u>139,997</u>
	<u><u>\$ 680,236</u></u>

Net assets with donor restrictions were released from donor restrictions by satisfying the following restricted purpose during the year ended December 31, 2022:

Satisfaction of purpose restrictions:	
Mobile Clinic Van	\$ 132,274
Disability Roadmap Film project	<u>8,105</u>
	<u><u>\$ 140,379</u></u>

NOTE 6. LINE OF CREDIT

The Organization has a \$1,500,000 line of credit arrangement (the "line") with a bank that matures June 30, 2023. Borrowings on the line bear interest at 0.75% below the prime rate. The interest rate as of December 31, 2022 was 6.75%. In consideration of the bank extending the line of credit, the Organization signed a grant of security interest for collateral on the Organization's accounts receivable, inventory, and equipment. There was no balance outstanding on the line as of December 31, 2022.

The line also requires certain non-financial covenants to be met. A waiver was requested and received as of April 28, 2023, to waive the due date of annual audited financial statements.

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NOTE 7. LEASES

As described in Note 1, the Organization adopted ASC 842 as of January 1, 2022.

Finance lease

The Organization leases office equipment under a non-interest bearing lease expiring April 2025. The weighted average lease term is 2.33 years, and the weighted average discount rate is 1.10%.

Finance lease costs:

Amortization of finance lease liability	\$ 14,746
Interest on lease liability	<u>453</u>
Total finance lease costs	<u>\$ 15,199</u>

Operating lease

In addition to the finance lease, the Organization also has an operating lease for office and medical space under a long-term lease agreement with the County of Westchester, New York. The operating lease expires March 31, 2025 and has annual lease commitment payments of \$2,357,327. The weighted average lease term is 2.25 years, and the weighted average discount rate is 1.08%.

As of December 31, 2022, the Organization's future minimum payments on operating and finance leases, including interest, are as follows:

<u>Year ending December 31,</u>	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2022	\$ 2,357,327	\$ 15,051	\$ 2,372,378
2024	2,357,327	15,051	2,372,378
2025	<u>589,332</u>	<u>5,017</u>	<u>594,349</u>
Total lease payments	5,303,986	35,119	5,339,105
Less amount of lease payments representing interest	<u>(72,612)</u>	<u>(429)</u>	<u>(73,041)</u>
Present value of lease liabilities	5,231,374	34,690	5,266,064
Less current portion	<u>(2,309,009)</u>	<u>(14,759)</u>	<u>(2,323,768)</u>
	<u>\$ 2,922,365</u>	<u>\$ 19,931</u>	<u>\$ 2,942,296</u>

NOTE 8. RETIREMENT PLAN

The Organization has a 403(b) plan that covers all employees except specifically excluded hourly employees. Eligible employees must attain the age of 21 and work 1,000 service hours during the plan year to qualify for employer contributions of 3% of eligible compensation. Contributions to the plan charged to operations were \$289,979 for 2022.

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NOTE 9. PAYCHECK PROTECTION PROGRAM

In April 2020 and February 2021 ("PPP Loan Dates"), the Organization received loan proceeds of \$2,861,100 ("PPP-FD") and \$1,950,000 ("PPP-SD"), respectively, under the Paycheck Protection Program ("PPP"). The PPP, which was established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loans and accrued interest, or a portion thereof, may be forgiven after twenty-four weeks so long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, mortgage interest, and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP, for the loans to be forgiven.

PPP-FD matures two years from the respective loan date and PPP-SD matures five years from the respective loan date. Both PPP loans accrue interest at a fixed rate of 1%. Payments are deferred for the first ten months and are payable in equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period of the PPP Loan Dates.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities to a for profit entity. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Organization has determined it most appropriate to account for both PPP loan proceeds under the debt model. Under the debt model, the Organization recognizes the proceeds received as debt, recognizes periodic interest expense in the period in which the interest accrues at the stated interest rate and defers recognition of any potential forgiveness of loan principal or interest until the period in which the Organization has been legally released for its obligations by the lender. The Organization deemed the debt model to be the most appropriate accounting policy for this arrangement as the underlying PPP loans are a legal form of debt and there are significant contingencies outside of the control of the Organization, mainly related to the third-party approval process for forgiveness.

The Organization applied for PPP-FD loan forgiveness and received approval from the Small Business Administration ("SBA") in July 2021. The Organization received approval from the SBA in February 2022 for PPP-SD. The Organization recognized as a non-operating activity \$1,950,000 related to the forgiveness of debt during the year ended December 31, 2022 in the accompanying statement of activities and changes in net assets. If it is determined that the Organization was not eligible to receive the PPP loans or that the Organization has not adequately complied with the rules, regulations and procedures applicable to the SBA's loan program, the Organization could be subject to penalties and could be required to repay the amounts previously forgiven.

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NOTE 10. UNCERTAINTIES

Legal

The Organization is currently, and from time to time, subject to claims and suits arising in the ordinary course of its business. The Organization maintains insurance, and in most instances any potential liability would be limited to policy deductibles. In certain actions, plaintiffs may request punitive or other damages or nonmonetary relief, which may not be covered by insurance. The Organization accrues for any potential liabilities as they become known and can be reasonably estimated. However, no assurance can be given as to the ultimate outcome with respect to such claims and litigation.

Recent events relating to the disruption of the U.S. Banking System

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. The U.S. government took certain actions to strengthen public confidence in the U.S. banking system. However, there can be no certainty that the actions taken by the U.S. government will be effective in mitigating the effects of financial institution failures on the economy, which may include limits on access to short-term liquidity in the near term or other adverse effects. As disclosed in Note 1 the Organization maintains cash amounts in excess of federally insured limits in the aggregate amount of approximately \$4,470,000, as of December 31, 2022 and has certain concentrations in credit risk that expose the Organization to risk of loss if the counterparty is unable to perform as a result of future disruptions in the U.S. banking system or economy. Given the uncertainty of the situation, the related financial impact cannot be reasonably estimated at this time.