

**CENTER FOR ALTERNATIVE SENTENCING
AND EMPLOYMENT SERVICES, INC.**

**FINANCIAL STATEMENTS AND SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

JUNE 30, 2021 AND 2020

CENTER FOR ALTERNATIVE SENTENCING
AND EMPLOYMENT SERVICES, INC.

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
Center for Alternative Sentencing and
Employment Services, Inc.
Brooklyn, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Alternative Sentencing and Employment Services, Inc. ("CASES"), which comprise the statements of financial position at June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

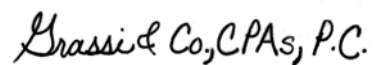
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Alternative Sentencing and Employment Services, Inc. at June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2021, on our consideration of CASES' 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 CASES' 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 CASES' internal control over financial reporting and compliance.



GRASSI & CO., CPAs, P.C.

New York, New York
December 29, 2021

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 648,387	\$ 793,651
Grants and contracts receivable	18,411,145	14,510,415
Contributions receivable	34,571	283,298
Medicaid/Managed Medicaid receivables, net	928,845	1,093,739
Other receivables	52,290	66,857
Prepaid expenses	198,452	229,512
TOTAL CURRENT ASSETS	<u>20,273,690</u>	<u>16,977,472</u>
Fixed assets, net	1,984,522	2,063,701
Security deposits	<u>615,109</u>	<u>615,109</u>
TOTAL ASSETS	<u>\$ 22,873,321</u>	<u>\$ 19,656,282</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,035,401	\$ 590,123
Accrued expenses and other liabilities	4,283,276	2,869,337
Grants and contract advances	10,746,378	7,597,290
Loans payable	1,399,000	3,573,579
Paycheck Protection Program loan payable, current portion	2,709,300	949,383
TOTAL CURRENT LIABILITIES	<u>20,173,355</u>	<u>15,579,712</u>
LONG-TERM LIABILITIES:		
Paycheck Protection Program loan payable, less current portion	-	1,759,917
Deferred rent	1,702,903	1,509,595
TOTAL LONG-TERM LIABILITIES	<u>1,702,903</u>	<u>3,269,512</u>
TOTAL LIABILITIES	<u>21,876,258</u>	<u>18,849,224</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	874,808	398,009
With donor restrictions	122,255	409,049
TOTAL NET ASSETS	<u>997,063</u>	<u>807,058</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,873,321</u>	<u>\$ 19,656,282</u>

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

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Government grants and contracts	\$ 34,909,874	\$ -	\$ 34,909,874	\$ 22,440,399	\$ -	\$ 22,440,399
Medicaid/Managed Medicaid income	8,691,527	-	8,691,527	7,294,197	-	7,294,197
Contributions	355,122	411,151	766,273	274,163	1,131,541	1,405,704
Donated facilities	116,918	-	116,918	126,170	-	126,170
Miscellaneous income	10,172	-	10,172	204,740	-	204,740
Net assets released from restrictions	697,945	(697,945)	-	1,013,680	(1,013,680)	-
TOTAL REVENUE AND SUPPORT	<u>44,781,558</u>	<u>(286,794)</u>	<u>44,494,764</u>	<u>31,353,349</u>	<u>117,861</u>	<u>31,471,210</u>
EXPENSES:						
Program services	38,789,268	-	38,789,268	27,685,797	-	27,685,797
Supporting services:						
Management and general	5,207,799	-	5,207,799	4,265,354	-	4,265,354
Fundraising	307,692	-	307,692	288,527	-	288,527
TOTAL EXPENSES	<u>44,304,759</u>	<u>-</u>	<u>44,304,759</u>	<u>32,239,678</u>	<u>-</u>	<u>32,239,678</u>
CHANGES IN NET ASSETS	476,799	(286,794)	190,005	(886,329)	117,861	(768,468)
NET ASSETS, BEGINNING OF YEAR	<u>398,009</u>	<u>409,049</u>	<u>807,058</u>	<u>1,284,338</u>	<u>291,188</u>	<u>1,575,526</u>
NET ASSETS, END OF YEAR	<u>\$ 874,808</u>	<u>\$ 122,255</u>	<u>\$ 997,063</u>	<u>\$ 398,009</u>	<u>\$ 409,049</u>	<u>\$ 807,058</u>

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

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services						Supporting Services		
	Education, Career & Enrichment Programs	Clinical Community Alternatives	Supervised Release/Pretrial Programs	Adult Behavioral Health	Nathaniel Clinic	Total	Management and General	Fundraising	Total
Salaries and related expenses:									
Personnel services	\$ 3,761,689	\$ 2,432,659	\$ 8,116,558	\$ 7,008,524	\$ 2,182,820	\$ 23,502,250	\$ 2,538,290	\$ 199,246	\$ 26,239,786
Fringe benefits	1,090,266	631,975	2,423,268	1,951,039	585,827	6,682,375	744,566	58,628	7,485,569
Total salaries and related expenses	4,851,955	3,064,634	10,539,826	8,959,563	2,768,647	30,184,625	3,282,856	257,874	33,725,355
Other than personnel services:									
Participant subsistence and stipends	80,524	27,845	55,967	322,744	16,805	503,885	-	-	503,885
Occupancy and renovation expenses	998,235	291,022	1,157,184	813,665	323,098	3,583,204	379,169	37,242	3,999,615
Contracted employees	20,457	13,722	43,386	565,785	40,553	683,903	13,415	1,080	698,398
Consultants	117,370	886,203	65,760	41,892	43,024	1,154,249	38,191	107	1,192,547
Participant travel	4,984	2,878	4,138	16,100	7,169	35,269	-	-	35,269
Office and medical supplies	62,111	44,497	233,651	221,142	139,851	701,252	45,979	3,289	750,520
Equipment purchases and rental	122,176	93,366	154,549	112,925	49,041	532,057	41,175	4,952	578,184
Office expenses	7,209	1,483	15,050	71,736	431	95,909	535,549	873	632,331
Telephone	75,159	45,434	148,228	138,092	41,166	448,079	18,949	1,048	468,076
Insurance	-	-	-	-	-	-	303,938	-	303,938
Participant other	61,359	-	-	-	-	61,359	-	-	61,359
Professional fees	-	-	-	-	-	-	147,597	-	147,597
Staff training and conferences	36,759	20,409	21,718	87,467	1,579	167,932	2,839	-	170,771
Interest and bank charges	-	-	-	-	-	-	45,719	-	45,719
Participant supplies	18,133	8,325	-	448	-	26,906	-	-	26,906
Recruiting	-	87	89	5,467	-	5,643	112,257	-	117,900
Vehicle, fuel and maintenance	14,358	793	2,435	52,332	648	70,566	1,469	58	72,093
Total other than personnel services	1,618,834	1,436,064	1,902,155	2,449,795	663,365	8,070,213	1,686,246	48,649	9,805,108
Donated facilities	17,538	11,809	33,322	30,866	9,353	102,888	12,861	1,169	116,918
Depreciation and amortization	25,527	10,760	123,876	225,701	45,678	431,542	225,836	-	657,378
Total expenses	\$ 6,513,854	\$ 4,523,267	\$ 12,599,179	\$ 11,665,925	\$ 3,487,043	\$ 38,789,268	\$ 5,207,799	\$ 307,692	\$ 44,304,759

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

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services					Supporting Services		
	Education, Career & Enrichment Programs	Court Programs	Adult Behavioral Health	Nathaniel Clinic	Total	Management and General	Fundraising	Total
Salaries and related expenses:								
Personnel services	\$ 3,272,945	\$ 6,385,830	\$ 5,471,505	\$ 1,304,741	\$ 16,435,021	\$ 2,191,156	\$ 185,771	\$ 18,811,948
Fringe benefits	859,620	1,600,416	1,449,760	311,730	4,221,526	561,803	52,026	4,835,355
Total salaries and related expenses	<u>4,132,565</u>	<u>7,986,246</u>	<u>6,921,265</u>	<u>1,616,471</u>	<u>20,656,547</u>	<u>2,752,959</u>	<u>237,797</u>	<u>23,647,303</u>
Other than personnel services:								
Participant subsistence and stipends	108,220	124,791	204,952	5,727	443,690	-	-	443,690
Occupancy and renovation expenses	941,521	636,053	685,868	240,256	2,503,698	340,336	36,266	2,880,300
Consultants	73,729	820,742	39,320	53,294	987,085	25,305	4,100	1,016,490
Participant travel	52,374	57,354	48,511	30,339	188,578	-	-	188,578
Office and medical supplies	64,443	147,149	174,969	86,928	473,489	59,113	2,448	535,050
Equipment purchases and rental	44,859	57,075	36,380	11,580	149,894	35,661	1,554	187,109
Office expenses	23,628	19,749	934,952	3,716	982,045	355,276	1,728	1,339,049
Telephone	73,169	149,126	110,413	16,927	349,635	9,518	995	360,148
Insurance	-	-	-	-	-	220,440	-	220,440
Participant other	29,488	2,691	168	-	32,347	-	-	32,347
Professional fees	-	-	-	-	-	232,651	-	232,651
Staff training and conferences	43,287	40,379	49,585	593	133,844	12,961	274	147,079
Interest and bank charges	-	-	-	-	-	75,243	-	75,243
Participant supplies	6,929	738	805	26	8,498	-	-	8,498
Recruiting	5	24,009	42,891	30,016	96,921	86,530	-	183,451
Vehicle, fuel and maintenance	13,546	3,016	41,378	546	58,486	2,303	78	60,867
Total other than personnel services	<u>1,475,198</u>	<u>2,082,872</u>	<u>2,370,192</u>	<u>479,948</u>	<u>6,408,210</u>	<u>1,455,337</u>	<u>47,443</u>	<u>7,910,990</u>
Donated facilities	<u>22,711</u>	<u>40,374</u>	<u>36,589</u>	<u>8,832</u>	<u>108,506</u>	<u>16,402</u>	<u>1,262</u>	<u>126,170</u>
Depreciation and amortization	<u>57,316</u>	<u>114,913</u>	<u>275,923</u>	<u>64,382</u>	<u>512,534</u>	<u>40,656</u>	<u>2,025</u>	<u>555,215</u>
Total expenses	<u>\$ 5,687,790</u>	<u>\$ 10,224,405</u>	<u>\$ 9,603,969</u>	<u>\$ 2,169,633</u>	<u>\$ 27,685,797</u>	<u>\$ 4,265,354</u>	<u>\$ 288,527</u>	<u>\$ 32,239,678</u>

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

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 190,005	\$ (768,468)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	657,378	555,215
Deferred rent	193,308	111,587
Changes in assets (increase) decrease:		
Grants and contracts receivable	(3,900,730)	(8,707,954)
Contributions receivable	248,727	(50,951)
Medicaid/Managed Medicaid receivables	164,894	(270,918)
Other receivables	14,567	(51,237)
Prepaid expenses	31,060	44,291
Changes in liabilities increase (decrease):		
Accounts payable	445,278	(116,353)
Accrued expenses and other liabilities	1,413,939	720,043
Grants and contract advances	<u>3,149,088</u>	<u>6,183,478</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,607,514</u>	<u>(2,351,267)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in security deposits	-	(304,073)
Acquisition of fixed assets	<u>(578,199)</u>	<u>(527,546)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(578,199)</u>	<u>(831,619)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on loans payable	4,794,208	2,433,680
Repayment of loans payable	(6,968,787)	(1,356,807)
Proceeds from Paycheck Protection Program loan payable	<u>-</u>	<u>2,709,300</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(2,174,579)</u>	<u>3,786,173</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(145,264)	603,287
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>793,651</u>	<u>190,364</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 648,387</u>	<u>\$ 793,651</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 38,418</u>	<u>\$ 67,680</u>

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

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Center for Alternative Sentencing and Employment Services, Inc. ("CASES"), is a not-for-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is therefore exempt from federal income taxes under Section 501(a) of the Code.

CASES' mission is to increase public safety through innovative services that reduce crime and incarceration, improve behavioral health, promote recovery and rehabilitation, and create opportunities for success in the community. CASES operates one of New York City's oldest alternative to incarceration programs, the Court Employment Project ("CEP"). It also provides services to juveniles pending Family Court adjudication and young adults who have current or past involvement in the criminal justice system including parole or probation supervision. CASES also runs programs for individuals with behavioral health issues, including three New York State-licensed Assertive Community Treatment ("ACT") teams, three New York State-licensed Forensic Assertive Community Treatment ("FACT") teams, a New York State-licensed Article 31 mental health clinic, and a Court-based Intervention Resource team. In addition, it has programs for adult misdemeanants and a pretrial supervision program in Manhattan. With its long history and extensive experience and expertise running alternative-to-incarceration, criminal justice and behavioral health programs, CASES provides operational support, including training and technical assistance, to other groups working with clients involved in those systems. CASES receives most of its support from New York City, New York State and Federal government sources, through government grants and Medicaid. Grants receivable are due principally from these sources.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect that 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with initial maturities when acquired of three months or less.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Allowance for Doubtful Accounts

CASES determines whether an allowance for doubtful accounts should be provided for grants and contracts, Medicaid/Managed Medicaid, contributions and other receivables. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. Interest is not charged on outstanding receivables. The bad debt expense is either increased or decreased based upon management's year-end assessment of the sufficiency of the allowance to absorb future uncollectable receivables. CASES has established an allowance for doubtful accounts of \$62,500 for the Medicaid/Managed Medicaid receivables, and \$0 for its grants and contracts, and contributions and other receivables for the years ended June 30, 2021 and 2020.

Fixed Assets

Fixed assets are recorded at cost. Items with a cost of \$5,000 or more and an estimated useful life of more than one year are capitalized. Depreciation of fixed assets is provided over the estimated useful lives of the assets utilizing the straight-line method. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the improvement utilizing the straight-line method.

Internal Use Computer Software Database

CASES capitalizes certain costs associated with the development of internal use computer software. Costs that are capitalized consist of external direct costs of materials and services consumed in developing or obtaining the internal use software of the project. Amortization commences when development is complete and the assets are placed in service.

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of services provided to customers who are still receiving services at the end of the year. There were no contract assets as of June 30, 2021.

Contract Liabilities

Contract liabilities represent revenue that has been deferred for the funds advanced by third-party payors for CASES' contracts received related to services that have not yet been provided to customers. Contract liabilities consist of payments made by funding and other sources for CASES' contracts for services not yet performed that are expected to be performed within the next fiscal year. There were no contract liabilities as of June 30, 2021.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Third-Party Reimbursement

CASES receives substantially all its revenue for services provided to approved clients from third-party reimbursement agencies, primarily the New York State Office of Mental Health ("OMH") and the New York State Department of Health ("DOH"). These revenues are subject to audit and retroactive adjustment by the respective third-party intermediary.

Deferred Rent

CASES has leases with unrelated third parties with certain escalation clauses that require normalization of the rent expense over the lives of the leases. Resulting deferred rent is reflected in the accompanying statements of financial position.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Board-designated program funds are net assets without restrictions in which the board of trustees has designated certain funds for limited purposes. These funds are not available for current operations without the prior approval of the board of trustees.

Net Assets With Donor Restrictions

Net assets with donor restrictions include net assets subject to donor-imposed stipulations that may or will be met, either by actions of CASES and/or the passage of time. When a restriction expires, 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.

Government Grants and Contracts

Support funded by government grants and contracts is recognized as CASES meets the conditions prescribed by the contract, performs the contracted services or incurs outlays eligible for reimbursement under the contracts. As the conditions are met, CASES simultaneously releases the government contracts and they are reflected as without donor restrictions. Contract activities and outlays are subject to audit and acceptance by the funding agency and, as a result of such audit, adjustments could be required.

Contributions

Contributions are provided to CASES either with or without donor restrictions. Revenues and net assets are separately reported to reflect the nature of those gifts - with or without donor restrictions. The value recorded for each contribution is recognized as follows:

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Contributions (cont'd.)

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts and grants, with or without restrictions</i>	
Gifts and grants that depend on CASES overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, i.e., the donor-imposed barrier is met
<i>Unconditional gifts and grants, with or without restrictions</i>	
Received at date of gift - cash and other assets	Fair value
Received at date of gift - property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level yield method.

When a donor-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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Donated Services and Facilities

CASES received donations of various court space from the City of New York with an estimated fair market value of \$116,918 and \$126,170 for the years ended June 30, 2021 and 2020, respectively. Donated services, facilities and materials have been recognized as revenue and expense in the statements of activities. As indicated in the statements of functional expenses, the related expenses have been allocated in accordance with the function benefited.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

Functional Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of CASES. Those expenses include shared physical locations, program administration, corporate compliance and quality assurance department, clinic, and maintenance department. Shared physical locations are allocated based on a square footage basis. Program administration is allocated based on the ratio value of expenses of individual program sites to the overall departmental expenses. The corporate compliance and quality assurance department is allocated based on time studies. The clinic is allocated based on numbers of served individuals assigned to each clinician out of the total served. The maintenance department is allocated based on a square footage basis.

Accounting for Uncertainty in Income Taxes

CASES has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. CASES is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. CASES believes it is no longer subject to income tax examinations for years prior to 2018.

New Accounting Pronouncements

ASU No. 2020-07

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU increases transparency and provides financial clarity with the reporting of noncash contributions, known as gifts-in-kind. The guidance in this ASU provides for new presentation and disclosure requirements regarding contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. It requires not-for-profit entities to present contributed nonfinancial assets separately in the statement of activities apart from contributions of cash or other financial assets.

The amendments of ASU No. 2020-07 are effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

ASU No. 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU is the result of a joint project of the FASB and the International Accounting Standards Board ("IASB") to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements for U.S. GAAP and International Financial Reporting Standards ("IFRS"). The guidance in this ASU affects any entity that enters into a lease (as that term is defined in this ASU), with some specified scope exemptions. The guidance in this ASU will supersede FASB Accounting Standards Codification ("ASC") Topic 840, *Leases*.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 1 - Nature of Operations and Summary of Significant Accounting Policies (cont'd.)

New Accounting Pronouncements (cont'd.)

The ASU provides that lessees should recognize lease assets and lease liabilities on the balance sheet for leases previously classified as operating leases that exceed 12 months, including leases existing prior to the effective date of this ASU. It also calls for enhanced leasing arrangement disclosures.

For nonpublic entities, the amendments of ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022, based on the decision in ASU No. 2020-05 to defer the implementation dates. Early application is permitted for all entities.

CASES has not yet determined if these ASUs will have a material effect on its financial statements.

Note 2 - Revenue from Contracts with Government Agencies

Service Revenue

CASES receives funding from the OMH and other third-party payors for clinical services and support to people with psychiatric disabilities. CASES' clinic bills third-party payors for clinical services provided.

These amounts are due from third-party payors (including government programs and others) and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. CASES bills individuals and third-party payors after the services are performed or it has completed its portion of the contract. Receivables are due in full when billed, and revenue is recognized as performance obligations are satisfied.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Performance obligations are determined based on the nature of the services provided by CASES in accordance with the contract. Revenue for performance obligations satisfied is recognized as the services are provided based on per diem rates. CASES believes this method provides a faithful depiction of the transfer of services at a point in time of the performance obligation based on the inputs needed to satisfy the obligation. CASES measures the performance obligation from the beginning of the next month or day to the point when it is no longer required to provide services under the contract or has met the requirements to bill for the services provided, which is generally at the end of each daily visit or period of time allowed based on the government agencies' stipulations.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 2 - Revenue from Contracts with Government Agencies (cont'd.)

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations (cont'd.)

Because all of its performance obligations relate to contracts with a duration of less than one year, CASES has elected to apply the optional exemption provided in FASB ASC Subtopic 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation, which is usually at each month-end.

CASES determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency and school district. CASES has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

Third-Party Payors

Agreements with third-party payors typically provide for payments at established charges. A summary of the payment arrangements with major third-party payors is:

Medicaid/Managed Medicaid: Reimbursements for clinical services are generally paid for each type of service provided. Certain of these rates may be subject to final settlement as determined after submission of annual cost reports by CASES.

Third-Party and Other: Payment agreements with private payors are based on predetermined rates for established services as they are provided, on a monthly basis.

Significant Judgments

Laws and regulations concerning government programs are complex and subject to varying interpretation. There can be no assurance that regulatory authorities will not challenge CASES' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have on CASES.

From time to time, CASES will receive overpayments resulting in amounts owed back to the government agency. In addition, contracts that CASES has with certain government agencies provide for reconciliation and retroactive audit and review of documentation and annual report filings. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2021 and 2020, CASES had no estimated liability for amounts due to government agencies.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 2 - Revenue from Contracts with Government Agencies (cont'd.)

Financing Component

CASES has elected the practical expedient allowed under FASB ASC Subtopic 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to CASES' expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payor pays for that service will be one year or less.

Contract Costs

CASES has applied the practical expedient provided by FASB ASC Subtopic 340-40-25-4 and expenses all incremental customer contract acquisition costs as they are incurred, as the amortization period of the asset that CASES otherwise would have recognized is one year or less in duration.

Note 3 - Concentration of Credit Risk

Substantially all of CASES' cash balances are maintained in one financial institution, which balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000. From time to time, CASES' balances may exceed this limit.

Note 4 - Fixed Assets

Fixed assets, net, consist of the following:

	<u>2021</u>	<u>2020</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 3,339,496	\$ 2,812,411	3 to 7 years
Vehicles	175,725	175,725	5 to 8 years
Leasehold improvements	2,073,116	2,022,002	5 years
Software database	305,885	305,885	3 years
	<u>5,894,222</u>	<u>5,316,023</u>	
Less: Accumulated depreciation and amortization	<u>3,909,700</u>	<u>3,252,322</u>	
	<u>\$ 1,984,522</u>	<u>\$ 2,063,701</u>	

Depreciation and amortization expense related to fixed assets amounted to \$657,378 and \$555,215 for the years ended June 30, 2021 and 2020, respectively.

Note 5 - Loans Payable

CASES maintains a \$1,500,000 line of credit agreement, which is secured by grants and contracts receivable, and bears interest at 3.75% per annum. This agreement was renewed during the year ended June 30, 2021 and matures on May 31, 2022. The amount drawn down on the line of credit at June 30, 2021 and 2020 was \$1,399,000 and \$1,299,999, respectively.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 5 - Loans Payable (cont'd.)

CASES had borrowings from the New York City Returnable Grant Fund ("RGF"), which helps not-for-profit organizations cover operating expenses while waiting for NYC contracts to be registered. These loans are interest-free and are due within 45 to 90 days. The amount due at June 30, 2021 and 2020 was \$0 and \$2,273,580, respectively.

Note 6 - Paycheck Protection Program Loan Payable

In April 2020, CASES entered into a \$2,709,300 loan agreement with a financial institution under the Paycheck Protection Program (the "Program"), established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act administered by the Small Business Administration ("SBA") with support from the Department of the Treasury. The loan is unsecured, bears interest at 1% per annum and was set to mature in March 2022; however, the Program provides for the forgiveness of up to the entire amount of the loan (including interest) if certain conditions are met. CASES' application for full forgiveness was approved in August 2021.

Note 7 - Net Assets With Donor Restrictions

The following is a summary of the net assets that were added and released from donor restrictions during the years ended June 30, 2021 and 2020:

	2021			
	Beginning Balance	Additions	Releases	Ending Balance
Education, Career & Enrichment Programs	\$ 101,642	\$ 340,151	\$ (429,475)	\$ 12,318
Nathaniel Clinic Programs	305,844	51,000	(266,907)	89,937
COVID-19 Relief	1,563	-	(1,563)	-
Time Restricted	-	20,000	-	20,000
	<u>\$ 409,049</u>	<u>\$ 411,151</u>	<u>\$ (697,945)</u>	<u>\$ 122,255</u>
	2020			
	Beginning Balance	Additions	Releases	Ending Balance
Education, Career & Enrichment Programs	\$ 85,138	\$ 494,041	\$ (477,537)	\$ 101,642
Adult Behavioral Health Programs	4,166	30,000	(34,166)	-
Nathaniel Clinic Programs	201,884	457,500	(353,540)	305,844
COVID-19 Relief	-	150,000	(148,437)	1,563
	<u>\$ 291,188</u>	<u>\$ 1,131,541</u>	<u>\$ (1,013,680)</u>	<u>\$ 409,049</u>

Net assets released from donor restrictions for the years ended June 30, 2021 and 2020 were released by incurring expenses satisfying the program restrictions and the expiration of any time restriction specified by the donors.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 8 - Pension Plans

CASES maintains a defined contribution group pension plan and a 403(b) plan. Contributions to the plans are based on the employees' voluntary contributions to the 403(b) plan. Contributions to the plans amounted to \$765,231 and \$487,156 for the years ended June 30, 2021 and 2020, respectively.

Note 9 - Contingencies

In most instances, grants are subject to audit by state, city and federal auditors, and costs charged by grantors may be adjusted. CASES does not believe that any amounts are due back; therefore, no amounts have been estimated and recorded in these financial statements.

CASES is involved in various legal proceedings and litigation arising in the ordinary course of business. CASES is vigorously defending against these matters. Potential damages, if successful, are undeterminable at June 30, 2021.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact the recognition of government grants and contracts revenue, Medicaid/Managed Medicaid income, contribution revenue and the collectability of receivables. Other financial impact could occur, though such potential impact is unknown at this time.

Note 10 - Lease Commitments

CASES has various operating lease agreements for office and program facilities, including storage facilities, expiring through 2029. Some of the leases are subject to real estate tax and operating expense escalations. Related rent expense for the years ended June 30, 2021 and 2020 was \$3,303,479 and \$2,321,184, respectively. During the years ended June 30, 2021 and 2020, funds expended for rent totaled \$3,110,171 and \$2,209,597, respectively.

In addition, at June 30, 2021, CASES is obligated under various operating leases for office and program equipment expiring through 2023. Related lease expense for the years ended June 30, 2021 and 2020 was \$69,901 and \$78,386, respectively.

Future minimum annual rental payments under these leases in each of the five years subsequent to June 30, 2021 and thereafter are as follows:

Years Ending June 30:

2022	\$ 3,364,830
2023	3,407,248
2024	3,397,981
2025	3,143,290
2026	2,441,316
Thereafter	<u>9,551,270</u>
	<u>\$ 25,305,934</u>

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 11 - Available Resources and Liquidity

CASES manages its liquidity and financial resources with a level of prudence that emphasizes financial soundness and stability in order to maintain adequate liquid assets to fund near-term operating needs. CASES has various sources of liquidity at its disposal, including cash and cash equivalents and a line of credit. See Note 5 for information about CASES' line of credit.

The following reflects CASES' financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions and internal designations.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 648,387	\$ 793,651
Grants and contracts receivable	18,411,145	14,510,415
Contributions receivable - due within one year	34,571	283,298
Medicaid/Managed Medicaid receivable, net	928,845	1,093,739
Other receivables	<u>52,290</u>	<u>66,857</u>
Total financial assets	20,075,238	16,747,960
Less: Donor-imposed restrictions and internal designations:		
Purpose restricted net assets	<u>(122,255)</u>	<u>(409,049)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 19,952,983</u></u>	<u><u>\$ 16,338,911</u></u>

Note 12 - Subsequent Events

CASES has evaluated all events or transactions that occurred after June 30, 2021 through December 29, 2021, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure, except as disclosed in Note 6.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To The Board of Trustees
Center for Alternative Sentencing and
Employment Services, Inc.
Brooklyn, New York

We have audited the financial statements of Center for Alternative Sentencing and Employment Services, Inc. ("CASES") as of and for the year ended June 30, 2021, and our report thereon dated December 29, 2021, which contained an unmodified opinion on those financial statements, appears on pages one and two. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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* (the "Uniform Guidance"), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Grassi & Co, CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
December 29, 2021

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA/Contract Number	Pass-through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Justice</u>			
Criminal and Juvenile Justice and Mental Health Collaboration Passed through the New York City Mayor's Office of Criminal Justice	16.745	Not available	\$ 266,251
Total U.S. Department of Justice			<u>266,251</u>
<u>U.S. Department of Health and Human Services</u>			
Substance Abuse and Mental Health Services Administration Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		1,156,896
Projects for Assistance In Transition from Homelessness (PATH) Passed through the New York City Department of Health and Mental Hygiene	93.150	816-1921-320	93,679
Substance Abuse and Mental Health Services Administration Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		<u>129,823</u>
Total U.S. Department of Health and Human Services			<u>1,380,398</u>
<u>Corporation for National and Community Service</u>			
Social Innovation Fund Passed through the Center for Employment Opportunities	94.019	Not available	<u>42,667</u>
Total Corporation for National and Community Service			<u>42,667</u>

See independent auditors' report on schedule of expenditures of federal awards.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Center for Alternative Sentencing and Employment Services, Inc. ("CASES") under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the schedule presents only a selected portion of the operations of CASES, it is not intended to and does not present the financial position, changes in net assets or cash flows of CASES.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Subrecipient

There were no payments made to subrecipients for federal awards received during the year ended June 30, 2021.

Note 4 - Indirect Cost Rate

CASES did not elect to use the 10% de minimis indirect cost rate.

INDEPENDENT AUDITORS' 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 Trustees
Center for Alternative Sentencing and
Employment Services, Inc.
Brooklyn, New York

We 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 Center for Alternative Sentencing and Employment Services, Inc. ("CASES"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CASES' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CASES' internal control. Accordingly, we do not express an opinion on the effectiveness of the CASES' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CASES' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CASES' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CASES' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
December 29, 2021

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

To The Board of Trustees
Center for Alternative Sentencing and
Employment Services, Inc.
Brooklyn, New York

Report on Compliance for Each Major Federal Program

We have audited Center for Alternative Sentencing and Employment Services, Inc.'s ("CASES") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CASES' major federal programs for the year ended June 30, 2021. CASES' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CASES' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CASES' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CASES' compliance.

Opinion on Each Major Federal Program

In our opinion, CASES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

There were no findings noted.

Report on Internal Control over Compliance


Management of CASES is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CASES' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CASES' 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.

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

Purpose of this Report

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


GRASSI & CO., CPAs, P.C.

New York, New York
December 29, 2021

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

- i. An unmodified opinion was issued on the financial statements of the Center for Alternative Sentencing and Employment Services, Inc.
- ii. Internal control over financial reporting:
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified? ☐ Yes ☒ None Reported
- iii. Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

- iv. Internal control over major programs:
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified? ☐ Yes ☒ None Reported
- v. An unmodified opinion was issued on compliance for major programs.
- vi. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? ☐ Yes ☒ No
- vii. Major Programs:
 - Section 223 Demonstration Programs to Improve Community Mental Health Services (CFDA #93.829)
- viii. Federal award expenses that exceeded \$750,000 were considered Type A programs.
- ix. CASES qualified as a low-risk auditee? ☐ Yes ☒ No

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section II - Financial Statement Findings

There are no current year findings.

Section III - Federal Awards Findings and Questioned Costs

There are no current year findings.