

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

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

JUNE 30, 2022 AND 2021

CENTER FOR ALTERNATIVE SENTENCING
AND EMPLOYMENT SERVICES, INC.

CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1-2
<u>Financial Statements</u>	
Statements of Financial Position at June 30, 2022 and 2021	3
Statements of Activities for the Years Ended June 30, 2022 and 2021	4
Statement of Functional Expenses for the Year Ended June 30, 2022	5
Statement of Functional Expenses for the Year Ended June 30, 2021	6
Statements of Cash Flows for the Years Ended June 30, 2022 and 2021	7
Notes to Financial Statements	8-18
<u>Supplementary Information</u>	
Independent Auditors' Report on Schedule of Expenditures of Federal Awards	19
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
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 <i>Government Auditing Standards</i>	22-23
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	24-26
Schedule of Findings and Questioned Costs	27-28

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Center for Alternative Sentencing and Employment Services, Inc. ("CASES"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of CASES as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CASES and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

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 CASES' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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.

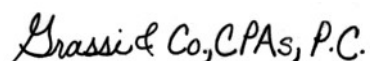
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 CASES' 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 CASES' 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 23, 2022

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 489,318	\$ 648,387
Grants and contracts receivable, net	20,686,917	18,411,145
Contributions receivable	14,099	34,571
Medicaid/Managed Medicaid receivables, net	1,471,118	928,845
Other receivables	27,742	52,290
Prepaid expenses	963,473	198,452
TOTAL CURRENT ASSETS	23,652,667	20,273,690
Fixed assets, net	1,732,785	1,984,522
Security deposits	656,844	615,109
TOTAL ASSETS	\$ 26,042,296	\$ 22,873,321
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,870,361	\$ 1,035,401
Accrued expenses and other liabilities	2,767,352	4,283,276
Grants and contract advances	14,374,023	10,746,378
Loans payable	650,000	1,399,000
Paycheck Protection Program loan payable, current portion	-	2,709,300
TOTAL CURRENT LIABILITIES	19,661,736	20,173,355
LONG-TERM LIABILITIES:		
Deferred rent	1,734,627	1,702,903
TOTAL LIABILITIES	21,396,363	21,876,258
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	4,395,582	874,808
With donor restrictions	250,351	122,255
TOTAL NET ASSETS	4,645,933	997,063
TOTAL LIABILITIES AND NET ASSETS	\$ 26,042,296	\$ 22,873,321

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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT:						
Government grants and contracts	\$ 43,072,602	\$ -	\$ 43,072,602	\$ 34,909,874	\$ -	\$ 34,909,874
Medicaid/Managed Medicaid income	9,623,746	-	9,623,746	8,691,527	-	8,691,527
Contributions	388,996	466,438	855,434	355,122	411,151	766,273
Forgiveness of debt - Paycheck Protection Program	2,709,300	-	2,709,300	-	-	-
Donated facilities	109,952	-	109,952	116,918	-	116,918
Miscellaneous income	134,008	-	134,008	10,172	-	10,172
Net assets released from restrictions	338,342	(338,342)	-	697,945	(697,945)	-
TOTAL REVENUE AND SUPPORT	56,376,946	128,096	56,505,042	44,781,558	(286,794)	44,494,764
EXPENSES:						
Program services	46,243,331	-	46,243,331	38,789,268	-	38,789,268
Supporting services:						
Management and general	6,189,160	-	6,189,160	5,207,799	-	5,207,799
Fundraising	423,681	-	423,681	307,692	-	307,692
TOTAL EXPENSES	52,856,172	-	52,856,172	44,304,759	-	44,304,759
CHANGES IN NET ASSETS	3,520,774	128,096	3,648,870	476,799	(286,794)	190,005
NET ASSETS, BEGINNING OF YEAR	874,808	122,255	997,063	398,009	409,049	807,058
NET ASSETS, END OF YEAR	<u>\$ 4,395,582</u>	<u>\$ 250,351</u>	<u>\$ 4,645,933</u>	<u>\$ 874,808</u>	<u>\$ 122,255</u>	<u>\$ 997,063</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, 2022

	Program Services					Supporting Services			
	Education, Career and Enrichment Programs	Clinical Community Alternatives	Supervised Release/Pretrial Programs	Behavioral Health Programs	Nathaniel Clinic	Total	Management and General	Fundraising	Total
Salaries and related expenses:									
Personnel services	\$ 4,612,188	\$ 2,852,474	\$ 8,994,668	\$ 8,884,715	\$ 3,356,213	\$ 28,700,258	\$ 2,856,948	\$ 301,224	\$ 31,858,430
Fringe benefits	1,299,120	872,166	2,209,569	2,437,722	787,789	7,606,366	811,647	81,469	8,499,482
Total salaries and related expenses	<u>5,911,308</u>	<u>3,724,640</u>	<u>11,204,237</u>	<u>11,322,437</u>	<u>4,144,002</u>	<u>36,306,624</u>	<u>3,668,595</u>	<u>382,693</u>	<u>40,357,912</u>
Other than personnel services:									
Participant subsistence and stipends	181,804	61,782	159,250	367,364	12,966	783,166	-	-	783,166
Occupancy and renovation expenses	777,443	413,388	1,242,976	852,183	358,878	3,644,868	418,744	30,730	4,094,342
Contracted employees	42,149	26,195	82,192	728,521	68,611	947,668	19,412	2,808	969,888
Consultants	133,859	746,877	359,009	78,463	57,714	1,375,922	205,996	175	1,582,093
Participant travel	24,388	9,875	80,568	38,820	14,698	168,349	-	-	168,349
Office and medical supplies	107,634	69,720	224,921	258,748	175,269	836,292	99,577	2,466	938,335
Equipment purchases and rental	36,220	21,527	97,849	132,194	54,201	341,991	67,196	1,351	410,538
Office expenses	14,957	4,112	7,372	108,232	5,665	140,338	598,391	667	739,396
Telephone	79,911	46,724	133,640	140,193	52,988	453,456	9,876	1,790	465,122
Insurance	-	-	-	-	-	-	388,571	-	388,571
Participant other	23,694	700	-	41	-	24,435	-	-	24,435
Settlement	-	-	-	-	-	-	200,000	-	200,000
Staff training and conferences	16,037	42,504	102,173	50,802	13,840	225,356	7,510	-	232,866
Interest and bank charges	-	-	-	-	-	-	49,198	-	49,198
Participant supplies	9,964	23,051	87,390	-	1,525	121,930	-	-	121,930
Recruiting	-	-	-	174,695	-	174,695	274,175	-	448,870
Vehicle, fuel and maintenance	21,767	1,176	3,843	89,215	1,378	117,379	1,778	121	119,278
Total other than personnel services	<u>1,469,827</u>	<u>1,467,631</u>	<u>2,581,183</u>	<u>3,019,471</u>	<u>817,733</u>	<u>9,355,845</u>	<u>2,340,424</u>	<u>40,108</u>	<u>11,736,377</u>
Donated facilities	15,613	11,105	29,247	30,347	10,555	96,867	12,205	880	109,952
Depreciation and amortization	30,595	21,801	175,437	236,511	19,651	483,995	167,936	-	651,931
Total expenses	<u>\$ 7,427,343</u>	<u>\$ 5,225,177</u>	<u>\$ 13,990,104</u>	<u>\$ 14,608,766</u>	<u>\$ 4,991,941</u>	<u>\$ 46,243,331</u>	<u>\$ 6,189,160</u>	<u>\$ 423,681</u>	<u>\$ 52,856,172</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 and Enrichment Programs	Clinical Community Alternatives	Supervised Release/Pretrial Programs	Behavioral Health Programs	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	<u>4,851,955</u>	<u>3,064,634</u>	<u>10,539,826</u>	<u>8,959,563</u>	<u>2,768,647</u>	<u>30,184,625</u>	<u>3,282,856</u>	<u>257,874</u>	<u>33,725,355</u>
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	<u>1,618,834</u>	<u>1,436,064</u>	<u>1,902,155</u>	<u>2,449,795</u>	<u>663,365</u>	<u>8,070,213</u>	<u>1,686,246</u>	<u>48,649</u>	<u>9,805,108</u>
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	<u>\$ 6,513,854</u>	<u>\$ 4,523,267</u>	<u>\$ 12,599,179</u>	<u>\$ 11,665,925</u>	<u>\$ 3,487,043</u>	<u>\$ 38,789,268</u>	<u>\$ 5,207,799</u>	<u>\$ 307,692</u>	<u>\$ 44,304,759</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,648,870	\$ 190,005
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	651,931	657,378
Forgiveness of debt - Paycheck Protection Program	(2,709,300)	-
Deferred rent	31,724	193,308
(Increase) decrease in assets:		
Grants and contracts receivable	(2,275,772)	(3,900,730)
Contributions receivable	20,472	248,727
Medicaid/Managed Medicaid receivables	(542,273)	164,894
Other receivables	24,548	14,567
Prepaid expenses	(765,021)	31,060
Increase (decrease) in liabilities:		
Accounts payable	834,960	445,278
Accrued expenses and other liabilities	(1,515,924)	1,413,939
Grants and contract advances	3,627,645	3,149,088
	<u>1,031,860</u>	<u>2,607,514</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in security deposits	(41,735)	-
Acquisition of fixed assets	(400,194)	(578,199)
	<u>(441,929)</u>	<u>(578,199)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings on loans payable	2,150,999	4,794,208
Repayment of loans payable	(2,899,999)	(6,968,787)
	<u>(749,000)</u>	<u>(2,174,579)</u>
NET CASH USED IN FINANCING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	(159,069)	(145,264)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>648,387</u>	<u>793,651</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		
	<u>\$ 489,318</u>	<u>\$ 648,387</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 23,897</u>	<u>\$ 38,418</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW FINANCING:		
Forgiveness of debt - Paycheck Protection Program	<u>\$ 2,709,300</u>	<u>\$ -</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, 2022 AND 2021

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.

Change in Accounting Principle

Effective July 1, 2021, CASES adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”). The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets a nonprofit has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of enhanced disclosure.

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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

Cash and Cash Equivalents

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

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 \$131,890 and \$62,500 for the Medicaid/Managed Medicaid receivables for the years ended June 30, 2022 and 2021. CASES has established an allowance for doubtful accounts of \$0 for its grants and contracts, contributions and other receivables for each of the years ended June 30, 2022 and 2021.

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, 2022, June 30, 2021 and July 1, 2020.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

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, 2022, June 30, 2021 and July 1, 2020.

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.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 AND 2021

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

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:

<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 \$109,952 and \$116,918 for the years ended June 30, 2022 and 2021, 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. For both years ended June 30, 2022 and 2021, donated facilities have been recognized at an estimated amount based on the average cost per square foot of real estate in each respective location.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 2019.

New Accounting Pronouncement

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*.

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.

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

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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.

Because all of its performance obligations related 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:

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

Third-Party Payors (cont'd.)

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) of 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. At June 30, 2022 and 2021, CASES had no estimated liability for amounts due to government agencies.

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. Such 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.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 4 - Fixed Assets

Fixed assets, net, consist of the following:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Furniture and equipment	\$ 1,535,495	\$ 3,339,496	3 to 7 years
Vehicles	337,713	175,725	5 to 8 years
Leasehold improvements	2,124,417	2,073,112	5 years
Software database	-	305,885	3 years
	<u>3,997,625</u>	<u>5,894,218</u>	
Less: Accumulated depreciation and amortization	<u>2,264,840</u>	<u>3,909,696</u>	
	<u>\$ 1,732,785</u>	<u>\$ 1,984,522</u>	

Depreciation and amortization expense related to fixed assets amounted to \$651,931 and \$657,378 for the years ended June 30, 2022 and 2021, 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, 2022 and matures on May 31, 2023. The amount drawn down on the line of credit at June 30, 2022 and 2021 was \$650,000 and \$1,399,000, 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. In August 2021, CASES was granted forgiveness by the SBA for the full amount of the loan. As a result, the loan forgiveness is reported in the statement of activities as forgiveness of debt - Paycheck Protection Program for the year ended June 30, 2022.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 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, 2022 and 2021:

	2022			Ending Balance
	Beginning Balance	Additions	Releases	
Education, Career & Enrichment Programs	\$ 12,318	\$ 298,938	\$ (174,837)	\$ 136,419
Nathaniel Clinic Programs	89,937	167,500	(143,505)	113,932
Time Restricted	20,000	-	(20,000)	-
	<u>\$ 122,255</u>	<u>\$ 466,438</u>	<u>\$ (338,342)</u>	<u>\$ 250,351</u>
	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>

Net assets released from donor restrictions for the years ended June 30, 2022 and 2021 were released by incurring expenses satisfying the program restrictions and the expiration of any time restriction specified by the donors.

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 \$950,103 and \$765,231 for the years ended June 30, 2022 and 2021, 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, have been accrued at June 30, 2022 for \$200,000.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may 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.

The SBA may elect to undertake an audit of the Organization's PPP loan.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 AND 2021

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, 2022 and 2021 was \$3,407,807 and \$3,303,479, respectively. During the years ended June 30, 2022 and 2021, funds expended for rent totaled \$3,376,083 and \$3,110,171, respectively.

In addition, at June 30, 2022, CASES is obligated under various leases for office and program equipment and vehicles expiring through 2023. Related lease expense for office and program equipment for the years ended June 30, 2022 and 2021 was \$90,318 and \$69,901, respectively. Lease expense for vehicle leases for the years ended June 30, 2022 and 2021 was \$71,549 and \$41,411, respectively.

Future minimum annual rental payments under these leases in each of the five years subsequent to June 30, 2022 and thereafter are as follows:

<u>Years Ending June 30:</u>	
2023	\$ 3,586,447
2024	3,565,338
2025	2,868,384
2026	2,621,816
2027	2,693,553
Thereafter	<u>7,617,715</u>
	<u>\$ 22,953,253</u>

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.

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 11 - Available Resources and Liquidity (cont'd.)

The following reflects CASES' financial assets as of June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 489,318	\$ 648,387
Grants and contracts receivable	20,686,917	18,411,145
Contributions receivable - due within one year	14,099	34,571
Medicaid/Managed Medicaid receivable, net	1,471,118	928,845
Other receivables	<u>27,742</u>	<u>52,290</u>
Total financial assets	22,689,194	20,075,238
Less: Donor-imposed restrictions and internal designations:		
Purpose restricted net assets	<u>(250,351)</u>	<u>(122,255)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 22,438,843</u>	<u>\$ 19,952,983</u>

Note 12 - Subsequent Events

CASES has evaluated all events or transactions that occurred after June 30, 2022 through December 23, 2022, 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, 2022, and have issued our report thereon dated December 23, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed 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 23, 2022

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal AL/Contract Number	Pass-through Entity Identifying Number	Pass-through to Sub-Recipients	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	\$ -	\$ 236,002
Total U.S. Department of Justice			-	236,002
<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		-	1,799,889
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		-	151,782
CARES Act Provider Relief Funding	93.498		-	179,647
Public Health Support for Covid-19 Early Release Persons Passed Through the New York State Department of State: Division of Community Service	93.569	C1001930	-	68,645
Substance Abuse and Mental Health Services Administration Community Mental Health Centers Grant Program	93.958		-	347,204
Substance Abuse and Mental Health Services Administration Community Mental Health Services Adult Covid Relief Funds Passed Through the New York State Office of Mental Health	93.958	Not available	-	375,381
Total U.S. Department of Health and Human Services			-	3,016,227
TOTAL FEDERAL EXPENDITURES			\$ -	\$ 3,252,229

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, 2022

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, 2022. 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, 2022.

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Center for Alternative Sentencing and Employment Services, Inc. ("CASES"), which comprise the statement of financial position as of June 30, 2022, 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 23, 2022.

Report on 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) as a basis for designing 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.

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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Grassi & Co., CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
December 23, 2022

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
Opinion on Each Major Federal Program

We have audited Center for Alternative Sentencing and Employment Services, Inc.'s ("CASES") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of CASES' major federal programs for the year ended June 30, 2022. CASES' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CASES and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of CASES' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CASES' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CASES' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CASES' compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CASES' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CASES' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of CASES' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of 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.

GRASSI & CO., CPAs, P.C.

New York, New York
December 23, 2022

CENTER FOR ALTERNATIVE SENTENCING AND EMPLOYMENT SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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 (AL #93.829)
 - CARES Act Provider Relief Funding (AL #93.498)
- 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, 2022

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.