

CFS Self-Directed Supports, Inc.

Financial Statements
Year Ended June 30, 2024

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



CFS Self-Directed Supports, Inc.

Financial Statements
Year Ended June 30, 2024

CFS Self-Directed Supports, Inc.

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Independent Auditor's Report

The Board of Directors
CFS Self-Directed Supports, Inc.
New York, New York

Opinion

We have audited the financial statements of CFS Self-Directed Supports, Inc. (CFS Self-Directed), which comprise the statement of financial position as of June 30, 2024, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CFS Self-Directed as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CFS Self-Directed and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Adoption of Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses (Topic 326)*

As discussed in Note 2 to the financial statements, CFS Self-Directed has changed its method for accounting for allowances in 2024 due to the adoption of the amendments to the financial Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 CFS Self-Directed's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 CFS Self-Directed's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CFS Self-Directed's ability to continue as a going concern for a reasonable period of time.

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

BDO USA, P.C.

November 27, 2024

CFS Self-Directed Supports, Inc.

Statement of Financial Position

June 30, 2024

Assets

Cash and cash equivalents	\$	1,994,909
Accounts receivable, net of credit losses		3,369,953
Prepaid expenses and other assets		15,063

Total Assets	\$	5,379,925
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Liabilities and Net Deficit

Liabilities

Accounts payable and accrued expenses	\$	340,327
Accrued salaries and related expenses payable		712,130
Accrued retirement plan payable		389,605
Due to related party		3,682,262
Advances from government agencies		255,601

Total Liabilities		5,379,925
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Commitments and Contingencies

Net Deficit

Without donor restrictions		-
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Total Liabilities and Net Deficit	\$	5,379,925
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See accompanying notes to financial statements.

CFS Self-Directed Supports, Inc.

Statement of Activities

Year ended June 30, 2024

	<u>(Without Donor Restrictions)</u>
Operating Revenues	
Government fees	\$ 26,673,643
Grants	589,514
Total Operating Revenues	27,263,157
Expenses	
Program services:	
Home-based services	23,348,515
Total Program Services	23,348,515
Supporting services:	
Management and general	3,813,342
Total Supporting Services	3,813,342
Total Expenses	27,161,857
Change in Net Assets	101,300
Net Assets, beginning of year	-
ASC 326 Transition Adjustment (Note 2)	(101,300)
Net Deficit, end of year	\$ -

See accompanying notes to financial statements.

CFS Self-Directed Supports, Inc.

Statement of Functional Expenses

Year ended June 30, 2024

	Program Services	Supporting Services		
	Home-Based Services	Management and General		Total
Salaries and wages	\$ 13,064,997	\$ -	\$	13,064,997
Fringe benefits	2,281,451	-		2,281,451
Total Salaries and Wages and Fringe Benefits	15,346,448	-		15,346,448
Participant incidentals	3,495,098	-		3,495,098
Management fee	-	3,813,342		3,813,342
Contracted services	1,064,137	-		1,064,137
Family reimbursement	920,510	-		920,510
Housing subsidy	824,653	-		824,653
Transportation	710,745	-		710,745
Miscellaneous	553,007	-		553,007
Supplies	190,238	-		190,238
Utilities	92,253	-		92,253
Professional fees	44,542	-		44,542
Food	36,668	-		36,668
Telephone and cable	31,988	-		31,988
Household supplies	19,822	-		19,822
Repairs and maintenance	15,161	-		15,161
Staff development	3,245	-		3,245
Total Expenses	\$ 23,348,515	\$ 3,813,342	\$	27,161,857

See accompanying notes to financial statements.

CFS Self-Directed Supports, Inc.

Statement of Cash Flows

Year ended June 30, 2024

Cash Flows from Operating Activities

Change in net assets	\$	101,300
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in assets:		
Accounts receivable		(596,068)
Prepaid expenses and other assets		38,866
Change in liabilities:		
Accounts payable and accrued expenses		(130,551)
Accrued salaries and related expense payable		44,786
Accrued retirement plan payable		136,153
Due to related party		1,760,978
Advances from government agencies		255,601

Net Cash Provided by Operating Activities 1,611,065

Change in Cash and Cash Equivalents 1,611,065

Cash and Cash Equivalents, beginning of year 383,844

Cash and Cash Equivalents, end of year \$ 1,994,909

Supplemental Disclosure of Cash Flow Information

ASC 326 transition adjustment (Note 2)	\$	(101,300)
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See accompanying notes to financial statements.

CFS Self-Directed Supports, Inc.

Notes to Financial Statements

1. Nature of Organization

CFS Self-Directed Supports, Inc. (CFS Self-Directed) was incorporated in May 2018 under the New York State nonprofit incorporation laws to provide self-direction and fiscal intermediary services for individuals with intellectual and developmental disabilities.

The Center for Family Support, Inc. (CFS-NY) is the controlling member of CFS Self-Directed.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting and conform to the accounting principles generally accepted in the United States of America (GAAP), as applicable to not-for-profit organizations. Assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Financial Statement Presentation

The classification of CFS Self-Directed's net assets and its support, revenue, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets—without donor restrictions and with donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, and interest, should be reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

The classes of net assets are defined as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions represent those resources that are not subject to donor restrictions and are available for current operations.

Net Assets with Donor Restrictions - This class consists of net assets resulting from contributions and other inflows of assets whose use by CFS Self-Directed is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of CFS Self-Directed, and those that either expire by passage of time or can be fulfilled and removed by actions of CFS Self-Directed pursuant to those stipulations. When such stipulations end or are fulfilled, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions in the statement of activities. There were no net assets with donor restrictions at June 30, 2024.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and public support and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

CFS Self-Directed Supports, Inc.

Notes to Financial Statements

Cash and Cash Equivalents

For financial reporting purposes, CFS Self-Directed considers all highly liquid investments, with maturities of three months or less when purchased, to be cash and cash equivalents.

Revenue and Accounts Receivable, Net of Current Expected Credit Losses

CFS Self-Directed recognizes revenue when control of the services is transferred in an amount that reflects the consideration to which CFS Self-Directed expects to be entitled based on established rates multiplied by the number of units of service provided. CFS Self-Directed receives its revenue for services provided to approved clients from the New York State Office for People with Developmental Disabilities (OPWDD). To the extent amounts received exceed the amounts spent, CFS Self-Directed establishes an advance from government funders. Laws and regulations governing Medicaid programs are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties, and exclusion from Medicaid programs. Accounts receivable represent amounts due from the aforementioned third-party agencies, and amounts are charged to bad-debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management.

Accounts receivable balances are further reduced by an allowance for current expected credit losses. CFS Self-Directed has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 326, *Financial Instruments - Credit Losses*, model in its financial statements for the year ended June 30, 2024. CFS Self-Directed provides services to individuals with intellectual and other developmental disabilities and bills third-party payors within days of the service being provided, and typically expects to receive payment within 60 days of the service being provided.

CFS Self-Directed reviews its accounts receivable on a regular basis and analyzes these balances for potential credit losses based on a “roll-rate” methodology. Under a “roll-rate” methodology, loss rates for each aging bucket take into account the migration of each balance through the various aging buckets to determine the appropriate credit loss rate for each bucket. CFS Self-Directed consider other available external data and management’s reasonable outlook for business and economic conditions over the life of the receivables. In accordance with ASC 326-20-30-2, CFS Self-Directed determined that similar risk characteristics existed for receivables with similar days outstanding, regardless of payor class, so the pools for the allowance for credit losses were calculated based on aging buckets. This is consistent with CFS Self-Directed’s previous methodology for calculating its allowance for doubtful accounts.

CFS Self-Directed adopted the standard effective July 1, 2023, utilizing a cumulative-effect adjustment for all financial assets measured at amortized cost. As a result of the adoption, CFS Self-Directed recorded a transition adjustment, which included a \$101,300 adjustment to the allowance for credit losses for accounts receivable, which is presented on the statements of financial position as a reduction to the total amount of those assets. In addition, the transition resulted in a decrease of \$101,300 to the beginning net asset balance as of July 1, 2023, which represents the cumulative effect of adopting FASB ASC 326.

CFS Self-Directed Supports, Inc.

Notes to Financial Statements

Management anticipates that historic loss rates will be consistent during the next fiscal year and concluded that no adjustments to its methodology or inputs are required. Management applies these forecasts to create the following credit loss matrix to calculate the allowance for credit losses:

June 30, 2024

Balance, beginning of period	\$	9,921
Impact on the adoption of the new credit loss standard		101,300
Balance, end of period	\$	111,221

There were no recoveries on prior years' credit losses for the year ended June 30, 2024. Recoveries when received are recorded as a reduction in the credit loss expense.

Contributions and Grants

Contributions to CFS Self-Directed are recognized as revenue upon the receipt of cash or other assets or of unconditional pledges. Contributions are recorded as with donor restrictions if they are received with donor stipulations or time considerations as to their use. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved. There were no restricted contributions received during the year.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Measure of Operations

In its statement of activities, CFS Self-Directed includes in its definition of operations all income and expenditures that are an integral part of its self-directed and fiscal intermediary services. Excluded from this definition is other revenues. CFS Self-Directed considers its change in net assets as its performance indicator.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, direct costs have been functionalized within program and supporting services based on the nature of the expense. Indirect costs related to salaries and wages and fringe benefits, contracted services, and other amounts are allocated based on management's estimate of time and effort.

Income Taxes

CFS Self-Directed was incorporated in the state of New Jersey and is exempt from federal and state income taxes under Section 5011(3) of the Internal Revenue Code (IRC) and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, CFS Self-Directed has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income (UBIT) for the year ended June 30, 2024.

CFS Self-Directed is subject to the provisions of the Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes.

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For CFS Self-Directed, these provisions could be applicable to the incurrence of UBIT, attributable to the disallowed transportation fringe benefits. Nonetheless, because of CFS Self-Directed's general tax-exempt status, ASC 740 has not had, and is not anticipated to have, a material impact on CFS Self-Directed's financial statements. For the year ended June 30, 2024, there were no interest or penalties recorded or included in the statement of activities.

Recently Adopted Accounting Pronouncements

Financial Instruments - Credit Losses (Topic 326)

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-03, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans, and certain other instruments, entities will be required to use a new forward-looking "expected-loss" model that generally will result in earlier recognition of credit losses than under today's incurred-loss model. ASU 2016-03 is effective for annual periods beginning after December 15, 2022. On July 1, 2023, as required, CFS-Self Directed adopted the guidance as further discussed in Notes 2 and 4.

3. Liquidity and Availability of Resources

CFS Self-Directed's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

June 30, 2024

Cash and cash equivalents	\$	1,994,909
Accounts receivable, net of credit losses		3,369,953
Total Financial Assets Available to Management for General Expenditures Within One Year	\$	5,364,862

Liquidity Policy

CFS Self-Directed's policy is to structure its financial assets to be available for its general expenditures, liabilities, and other obligations as they come due.

4. Accounts Receivable, Net of Credit Losses

Accounts receivable, net of credit losses, consist of the following:

June 30, 2024

New York State Office for People with Developmental Disabilities	\$	3,481,174
Allowance for credit losses		(111,221)
Accounts Receivable	\$	3,369,953

The allowance for credit losses was \$111,221 for the year ended June 30, 2024. CFS-Self Directed writes off receivables when there is information that indicates the debtor is facing significant

CFS Self-Directed Supports, Inc.

Notes to Financial Statements

financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with CFS-Self Directed's accounting policy election.

5. Related Parties

CFS Self-Directed is related to the CFS-NY through common Board membership. CFS-NY, located in New York City, is a not-for-profit agency. CFS-NY provides support and assistance to individuals with developmental and related disabilities and their families, and to individuals with traumatic brain injury. CFS-NY provides financial support to CFS Self-Directed and also provides management services for a fee. Management services paid to CFS-NY amounted to \$3,813,342 for the year ended June 30, 2024. Amounts due to CFS-NY from CFS Self-Directed as of June 30, 2024 amounted to \$3,682,262 and are payable within one year.

6. Employee Benefit Plan

CFS Self-Directed participates in the Center for Family Support, Inc. Retirement Plan which covers employees who work a minimum of 1,000 hours after one year of service. The plan is funded by discretionary employer contributions. Related expenses were \$393,732 for the year ended June 30, 2024. In addition, CFS Self-Directed has a tax-sheltered annuity plan that is funded entirely by employees through a salary-reduction election.

7. Concentrations and Credit Risk

CFS Self-Directed received a contract agreement and fee-for-services from OPWDD of \$26,673,643 for fiscal year 2024. Such revenue represented approximately 98% of government fees in fiscal year 2024.

CFS Self-Directed maintains its cash and cash equivalents in high-credit-quality financial institutions in amounts that, at times, may exceed federally insured limits. CFS Self-Directed has not experienced any losses in such accounts, and management believes that CFS Self-Directed is not exposed to any significant risk of loss due to the failure of the financial institutions.

8. Revenue and Accounts Receivable

CFS Self-Directed adopted ASC 606, *Revenue from Contracts with Customers*, in fiscal year 2019. This approach results in no adjustment to prior reporting periods. Government fees are reported at the amount that reflects the consideration to which CFS Self-Directed be entitled in exchange for providing services. The transaction price amount is based upon established rates provided by the state of New York dependent upon type of service performed, such as Self Direction and Fiscal Intermediary mainly funded by OPWDD. Since CFS Self-Directed's performance obligations are satisfied when the service has been performed, all of CFS Self-Directed's revenues presented below are recognized at a point in time.

Throughout the year, rates may vary as determined by the state of New York, and CFS Self-Directed will record additional revenue as a result of a rate increase and record a reduction of revenue with a rate decrease. These rate adjustments represent variable consideration, and CFS Self-Directed considers these amounts in determination of the transaction price.

CFS Self-Directed Supports, Inc.

Notes to Financial Statements

CFS Self-Directed's revenues subject to ASC 606, by service type, are as follows:

Year ended June 30, 2024

Government fees	\$ 26,673,643
Total Revenue Subject to ASC 606	\$ 26,673,643

CFS Self-Directed's accounts receivable subject to ASC 606 consist of the following:

June 30, 2024

Accounts receivable from government fees	\$ 3,369,953
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As substantially all of its performance obligations relate to established rate agreements with a duration of less than one year, CFS Self-Directed has elected to apply the optional exemption provided in Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, 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.

9. Subsequent Events

CFS Self-Directed has performed subsequent events procedures through November 27, 2024, the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements.