

**WESTCHESTER INSTITUTE FOR HUMAN  
DEVELOPMENT  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of Westchester Institute for Human Development (the "Organization"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Westchester Institute for Human Development as of December 31, 2019, 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.

### ***Emphasis of a Matter***

As discussed in Note 10 to the financial statements, subsequent to year-end, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island  
September 24, 2020

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019**

**ASSETS**

Current assets:	
Cash	\$ 1,530,521
Investments	3,593,143
Receivables:	
Medical, net of allowance for doubtful accounts of \$50,000	882,174
Contract, net of allowance for doubtful accounts of \$192,109	2,097,613
Grants	1,209,152
Promise to give, current	27,508
Other	20,100
Prepaid expenses	<u>200,930</u>
Total current assets	9,561,141
Certificates of deposit	1,039,209
Property and equipment, net	990,519
Promises to give, less current	<u>41,825</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 11,632,694</u></b>

**LIABILITIES AND NET ASSETS**

Liabilities, all current:	
Accounts payable and accrued expenses	\$ 773,220
Accrued payroll and compensated absences	609,976
Due to third party payors	929,768
Deferred support	<u>319,425</u>
Total liabilities	<u>2,632,389</u>
Commitment and contingencies (Notes 8 and 10)	
Net assets:	
Without donor restrictions	8,947,550
With donor restrictions	<u>52,755</u>
Total net assets	<u>9,000,305</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 11,632,694</u></b>

See accompanying notes to financial statements.

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Patient service revenue (net of contractual allowances discounts and provisions for bad debts)	\$ 7,851,267	\$ -	\$ 7,851,267
Contracted services	9,796,636	-	9,796,636
Grant and program support	3,964,103	1,500	3,965,603
Gains on investments, net	554,272	-	554,272
Interest and dividend income, net	76,428	-	76,428
Net assets released from restrictions	<u>6,952</u>	<u>(6,952)</u>	<u>-</u>
Total revenue and support	<u>22,249,658</u>	<u>(5,452)</u>	<u>22,244,206</u>
Expenses:			
Program services	19,514,332	-	19,514,332
Management and general	2,522,854	-	2,522,854
Fundraising	<u>268,047</u>	<u>-</u>	<u>268,047</u>
Total expenses	<u>22,305,233</u>	<u>-</u>	<u>22,305,233</u>
Decrease in net assets from operations	<u>(55,575)</u>	<u>(5,452)</u>	<u>(61,027)</u>
Nonoperating revenues:			
Contributions	312,343	-	312,343
Other income	<u>310,290</u>	<u>-</u>	<u>310,290</u>
Total nonoperating revenue	<u>622,633</u>	<u>-</u>	<u>622,633</u>
Change in net assets	567,058	(5,452)	561,606
Net assets - beginning	<u>8,380,492</u>	<u>58,207</u>	<u>8,438,699</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 8,947,550</u></u>	<u><u>\$ 52,755</u></u>	<u><u>\$ 9,000,305</u></u>

See accompanying notes to financial statements.

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>			<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
	<u>Medical Services</u>	<u>Community Services</u>	<u>Total Program Services</u>			
Salaries	\$ 5,428,848	\$ 6,789,185	\$ 12,218,033	\$ 1,089,385	\$ 91,131	\$ 13,398,549
Fringe benefits	964,185	1,383,753	2,347,938	222,394	36,929	2,607,261
Payroll fees	21,214	26,479	47,693	8,527	360	56,580
Technical services	378	31,631	32,009	-	-	32,009
Hearing aids	140,717	-	140,717	-	-	140,717
Consultant fees	16,560	55,507	72,067	448,255	30,000	550,322
Legal fees	338	1,400	1,738	5,363	-	7,101
Employee travel	6,193	89,618	95,811	1,114	9	96,934
Membership fees	12,083	6,302	18,385	16,186	545	35,116
Training and development	6,602	35,417	42,019	8,430	500	50,949
Other program costs	57,065	74,459	131,524	32,505	49,990	214,019
Office supplies	18,369	53,028	71,397	20,998	2,405	94,800
Medical supplies	188,863	5,791	194,654	-	-	194,654
Repairs and maintenance	11,621	24,046	35,667	27,123	-	62,790
Contract services	357,539	118,705	476,244	422,241	20,099	918,584
Rent	1,146,947	1,087,706	2,234,653	93,111	29,563	2,357,327
Medical billing services	252,158	21,915	274,073	-	-	274,073
Insurance	158,359	139,105	297,464	14,931	-	312,395
Computer and telephone services	208,444	305,970	514,414	42,959	-	557,373
Other administrative costs	229	522	751	7,587	2,795	11,133
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	8,996,712	10,250,539	19,247,251	2,461,109	264,326	21,972,686
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Depreciation	132,065	135,016	267,081	61,745	3,721	332,547
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 9,128,777</u>	<u>\$ 10,385,555</u>	<u>\$ 19,514,332</u>	<u>\$ 2,522,854</u>	<u>\$ 268,047</u>	<u>\$ 22,305,233</u>

See accompanying notes to financial statements.

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash flows from operating activities:	
Change in net assets	\$ 561,606
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	332,547
Recovery of losses on accounts receivable	(8,058)
Net realized gains on investments	(8,205)
Net unrealized gains on investments	(546,067)
Changes in operating assets and liabilities:	
Receivables	(460,957)
Prepaid expenses	112,306
Other	(20,100)
Accounts payable and accrued expenses	(77,037)
Accrued payroll and compensated absences	332,129
Due to third party payors	920,064
Government grant advances	(225,290)
Deferred support	<u>(134,426)</u>
Net cash provided by operating activities	<u>778,512</u>
Cash flows from investing activities:	
Proceeds from sales of investments	391,335
Purchase of investments, including reinvested interest	(452,293)
Purchase of certificates of deposit, including reinvested interest	(15,472)
Purchase of property and equipment	<u>(119,823)</u>
Net cash used in investing activities	<u>(196,253)</u>
Net increase in cash	582,259
Cash - beginning	<u>948,262</u>
<b>CASH - ENDING</b>	<b><u><u>\$ 1,530,521</u></u></b>

See accompanying notes to financial statements.



**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Description of organization

Westchester Institute for Human Development ("the Organization") provides health and human services to adults and children with developmental disabilities, and their families. The Organization operates a diagnostic and treatment center in Valhalla, New York, certified pursuant to Article 28 of the New York State Public Health Law. The treatment center offers a wide range of medical services to individuals with developmental disabilities.

The Organization contracts with third parties to provide social services to individuals with disabilities and at risk children and adults in Westchester County, New York and surrounding communities. Community services provided include early intervention for children under age five who have been diagnosed with a developmental disability or delay, foster care programs, programs for children who have been victims of abuse and a variety of support services, therapies and evaluations for individuals with autism and other developmental disabilities. The Organization offers various other community services to help individuals with developmental disabilities improve their quality of life.

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

Recently adopted accounting pronouncements

*Contributions*

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Organization adopted ASU 2018-08 effective January 1, 2019 and it did not result in a material impact to the financial statements.

*Financial instruments*

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which changes the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2018-03"). In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* ("ASU 2019-04"), to clarify certain aspects of 2016-01. The Organization adopted the amendments effective January 1, 2019, using the modified retrospective method and it did not result in a material impact to the financial statements.

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Recently issued but not yet effective accounting pronouncements

*Revenue recognition*

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), as amended (commonly referred to as "ASC 606"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America ("U.S. GAAP"), including industry specific guidance, when it becomes effective. The FASB also issued ASU 2020-05, which provides a deferral of the adoption of ASU 2014-09 for another year. ASU 2014-09, as amended, is effective for fiscal years beginning after December 15, 2020. The standard permits the use of either the retrospective or cumulative effect transition method. The Organization is currently completing its initial assessment and evaluation of the impact that Topic 606 will have on its financial statements and related disclosures. The Organization expects, at a minimum, the adoption will result in expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty, if any, of revenues and cash flows arising from the Organization's activities.

*Leases*

In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the statement of financial position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. The FASB also issued ASU No. 2018-10, *Codification Improvements to Topic 842* and ASU No. 2018-11, *Leases: Targeted Improvements* in July 2018. These updates provide narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. This option will not require prior periods to be restated at the adoption date. The FASB also issued ASU 2020-05, which provides deferral of the adoption of ASU 2016-02 for another year. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. The Organization is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures, but has not yet selected a transition method or determined the timing of adoption.

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

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Basis of presentation

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

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

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

Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents, with the exception of cash invested in certain money market funds, which are classified as investments for financial statement purposes. The Organization had no cash equivalents at December 31, 2019.

The Organization maintains its cash accounts with two financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 2019, the Organization had \$1,423,487 on deposit in excess of the amount insured by the FDIC.

Certificates of deposit

Certificates of deposit are stated at cost plus accrued interest and are subject to similar risks as noted in cash and mature through various dates through September, 2022.

Investments

The Organization's investments, which are comprised of both debt and equity securities, are stated at fair value. Prior to January 1, 2019 both debt and equity securities were classified as "other-than-trading securities". Effective January 1, 2019, equity securities are classified as investments in equity securities with readily determinable fair values. Debt securities continue to be classified as other-than-trading securities. Unrealized holding gains and losses are reported as a component of net investment income. Total unrealized gains on investments held as of December 31, 2019 were \$546,067. Realized gains and losses are computed based on the specific identification method for the securities sold.

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Investments (continued)

Investments are classified as noncurrent assets if donor restrictions exist. Investments without donor restrictions are classified as current assets.

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

The Organization evaluates its debt securities for other-than-temporary impairment on an ongoing basis. A decline in the fair value of an other-than-trading security below cost that is deemed to be other than temporary results in a new cost basis for the security which is equivalent to its fair value. In evaluating other-than-temporary impairment, the Organization considers its intent and ability to hold the investment until recovery and other relevant factors. During the year ended December 31, 2019 there was no such impairment.

Fair value measurements

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

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

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

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

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

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Medical and contract accounts receivables

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

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

Approximately 16% and 56% of the Organization's medical accounts receivables is due from the state of New York Medicaid and federal Medicare programs, respectively. Approximately 53% of contract receivables were derived through contracts with Westchester County, New York.

Property and equipment

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

The Organization evaluates long-lived assets held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Organization did not record any impairment losses during the year ended December 31, 2019.

Due to third party payors

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

Performance indicator

In the accompanying statement of activities, the primary indicator of the Organization's results is the "*increase in net assets from operations.*" As such, it includes all operating support and revenue and operating expenses. Contributions and other income are included as a component of "*nonoperating revenues*" in the statement of activities and changes in net assets.

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Patient service revenue recognition

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered.

Reimbursements received by payor reimbursement programs under the provisions of applicable reimbursement formulas or negotiated rates in effect, which cover substantially all payors, generally results in amounts received being less than the Organization's established billing rates. Revenue is recorded at the agreed upon rates established on a contractual basis with these programs.

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

In 2019, the Organization underwent an Office of the Medicaid Inspector General audit in which some dental claims from 2011-2015 were determined to be incorrectly billed. Therefore the Organization recorded a liability of \$867,000 for these claims which is included as an offset to net patient service revenue for the year ended December 31, 2019.

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

For the year ended December 31, 2019 approximately 52% and 31% of net patient service revenue were derived from Medicare and Medicaid, respectively.

Grant, contribution, and contract revenue

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

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

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Grant, contribution, and contract revenue (continued)

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

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

Grants and contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults.

The Organization provides various services for individuals with developmental disabilities and at-risk children and adults through contracts with third parties. This revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures or provided the related services in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures or providing the related services are reported as refundable advances in the statement of financial position.

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

For the year ended December 31, 2019 approximately 44% of contracted service revenue was derived through contracts with Westchester County, New York.

Electronic health records program

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that "meaningfully use" certified electronic health record ("EHR") technology.

The Organization applied for and was approved for EHR funding under the Medicaid program. The funding was included in other income and amounted to \$85,000 for the year ended December 31, 2019.

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Functional allocation of expenses

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

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Fringe benefits	Time and effort
Payroll fees	Time and effort
Technical services	Usage
Consultant fees	Usage
Legal fees	Time and effort and usage
Employee travel	Usage
Membership fees	Usage
Training and development	Usage
Other program costs	Usage
Office supplies	Usage
Medical supplies	Usage
Repairs and maintenance	Usage
Contract services	Usage
Rent	Square footage
Medical billing services	Usage
Insurance	Time and effort and usage
Computer and telephone services	Time and effort and usage
Other administrative costs	Usage
Depreciation	Square footage

Income taxes

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

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



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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent events

The Organization has evaluated subsequent events through September 24, 2020, the date the accompanying financial statements were available to be issued. Subsequent events are disclosed in Notes 8, 9, and 10. There were no other material subsequent events that required recognition or disclosure in these financial statements.

**NOTE 2. LIQUIDITY AND AVAILABILITY**

The following represents the Organization's financial assets as of December 31, 2019:

Financial assets at year-end:

Cash	\$ 1,530,521
Investments	3,593,143
Receivables, net	4,278,372
Certificates of deposit	<u>1,039,209</u>

Total financial assets at year-end	10,441,245
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Less amounts not available to be used within one year:

Net assets with donor restrictions	52,755
Long term pledges receivable	<u>41,825</u>

Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,346,665</u>
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The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$5,490,000). As part of the Organization's liquidity management, the Organization invests its cash in excess of quarterly requirements in marketable securities and certificates of deposit. In addition to the above amounts, the Organization also has a line of credit of \$1,500,000 (Note 7).

**NOTE 3. PLEDGES RECEIVABLE**

Unconditional promises to give are estimated to be collected as follows at December 31, 2019:

Receivables due in:

Less than one year	\$ 27,508
One to five years	<u>50,000</u>

77,508

Less unamortized discount at 6% to record at present value	<u>(8,175)</u>
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\$ 69,333

**WESTCHESTER INSTITUTE FOR HUMAN DEVELOPMENT**  
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**NOTE 4. INVESTMENTS**

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

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

The following table summarizes the Organization's investments measured at fair value on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Valuation Technique</u>
Money market funds	\$ 160,453	\$ -	\$ -	\$ 160,453	(a)
Fixed income bonds:					
BBB rated	-	1,056,275	-	1,056,275	(a)
Other	-	336,086	-	336,086	(a)
Equities:					
Information technology	579,269	-	-	579,269	(a)
Other	<u>1,461,060</u>	<u>-</u>	<u>-</u>	<u>1,461,060</u>	(a)
	<u>\$2,200,782</u>	<u>\$1,392,361</u>	<u>\$ -</u>	<u>\$3,593,143</u>	

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

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

Investment fees for the year ended December 31, 2019, totaled approximately \$23,000, and are shown net with interest and dividend income on the statement of activities and changes in net assets.

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**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2019:

Furniture and office equipment	\$ 228,881
Computer equipment and software	3,051,016
Medical equipment	763,329
Dental vans	375,420
Transportation equipment	32,493
Leasehold improvements	<u>574,412</u>
	5,025,551
Less: accumulated depreciation	<u>4,035,032</u>
	<u>\$ 990,519</u>

**NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019:

Subject to expenditure for specified purpose:	
Towle Fund	\$ 2,755
Restricted for time:	
Ansley Bacon Fund for the Future (Note 3)	<u>50,000</u>
	<u>\$ 52,755</u>

Net assets were released from donor restrictions by satisfying the restricted purpose during the year ended December 31, 2019 as follows:

Satisfaction of purpose restrictions:	
Operations	\$ 2,500
Uninsured patients	3,400
Training and conferences	<u>1,052</u>
	<u>\$ 6,952</u>

**NOTE 7. LINE OF CREDIT**

The Organization has a \$1,500,000 line of credit arrangement (the "line") with a bank. Borrowings under the line bear interest at 0.75% below the prime rate. In consideration of the bank extending the line of credit, the Organization has signed a grant of security interest. There was no balance outstanding on the line as of December 31, 2019.

**NOTE 8. OPERATING LEASE**

The Organization leases office and medical space under a long-term lease agreement with the County of Westchester, New York through March 31, 2020.

Subsequent to year end, the lease automatically renewed for a 5 year term and now expires March 31, 2025.

The annual lease commitment payments through March 2025 is \$2,357,327.

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**NOTE 9. RETIREMENT PLAN**

The Organization has a 403(b) plan that covers all employees who have attained the age of 21. The Organization also matches contributions based on age and length of service, ranging from 6.5% to 12.2% of all eligible compensation of employees participating in the plan. Contributions to the plan charged to operations were \$578,365 for 2019.

Subsequent to year-end, in March 2020, due to the COVID-19 pandemic (Note 10) the Organization suspended the employer contribution to the 403(b) plan.

**NOTE 10. CONTINGENCIES, UNCERTAINTY, AND SUBSEQUENT EVENTS**

Legal

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

COVID-19

In 2020, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Disruptions to the Organization’s business operations have occurred and could continue to develop as a result from the supply and quarantine of employees, patients, and vendors. The Organization has experienced additional costs associated with protective medical supplies due to the COVID-19 pandemic.

*Paycheck Protection Program*

As a response, the Organization has submitted a loan application under the Paycheck Protection Program (“PPP”). On April 7, 2020, the Organization received loan proceeds of approximately \$2,861,000, under the PPP. The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after twenty four weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP, for the loan to be eligible for forgiveness.

The PPP loan matures two years from the date of first disbursement of proceeds to the Organization (the “PPP Loan Date”) and accrues interest at a fixed rate of 1%. Payments are deferred for at least the first six months and payable in 18 equal consecutive monthly installments of principal and interest commencing upon expiration of the deferral period of the PPP loan date.

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**NOTE 10. CONTINGENCIES, UNCERTAINTY, AND SUBSEQUENT EVENTS**  
**(CONTINUED)**

*Paycheck Protection Program (continued)*

The Organization currently intends to use the proceeds for purposes consistent with the PPP, however, there can be no assurances that the Organization will ultimately meet the conditions for forgiveness of the loan or that the Organization will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.

*Provider Relief Fund stimulus*

The Organization has received two federal Provider Relief Fund stimulus funding payments in April and June 2020 totaling approximately \$165,000 to be used to prepare, prevent and respond to expenses related to COVID-19 and lost revenue.