

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

June 30, 2023 and 2022



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February 15, 2024

Board of Trustees
Bridgeway Behavioral Health Services
Union, New Jersey

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bridgeway Behavioral Health Services (a nonprofit organization) which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, 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 Bridgeway Behavioral Health Services as of June 30, 2023 and 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bridgeway Behavioral Health Services 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 Bridgeway Behavioral Health Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 20 and 21 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance on pages 22 and 23 as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards and the State of New Jersey OMB Circular 15-08-OMB, is presented for purposes of additional analysis and is also 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 audits 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 information on pages 20 to 23 is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2024, on our consideration of the Bridgeway Behavioral Health Services' 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 the Organization's 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 Bridgeway Behavioral Health Services' internal control over financial reporting and compliance.

Hill, Barth & King LLC
Certified Public Accountants

BRIDGEWAY BEHAVIORAL HEALTH SERVICES**Statements of Financial Position
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 3,532,861	\$ 8,878,251
Certificates of deposit	418,096	347,520
Accounts receivable – Medicaid	6,894,261	3,428,912
Grants receivable	887,413	886,029
Other receivables	8,889	12,170
Prepaid expenses and other assets	309,224	249,193
Operating lease right-of-use assets	2,740,896	-
Property and equipment – net	<u>7,232,461</u>	<u>7,050,104</u>
Total Assets	\$ <u>22,024,101</u>	\$ <u>20,852,179</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 4,026,740	\$ 3,963,735
Due to Department of Human Services	4,308,030	5,520,047
Deferred revenue	147,107	65,969
Notes payable - Department of Human Services	1,406,275	1,406,275
Mortgage payable	1,401,220	1,457,864
Operating lease liabilities	2,777,057	-
Refundable advances	<u>20,000</u>	<u>142,736</u>
Total Liabilities	14,086,429	12,556,626
Net Assets Without Donor Restrictions	<u>7,937,672</u>	<u>8,295,553</u>
Total Liabilities and Net Assets	\$ <u>22,024,101</u>	\$ <u>20,852,179</u>

See accompanying notes to financial statements

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

**Statements of Activities and Changes in Net Assets
Years Ended June 30, 2023 and 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support						
Government grants	\$ -	\$ 12,633,098	\$ 12,633,098	\$ -	\$ 10,005,337	\$ 10,005,337
Medicaid and other fees	21,241,327	-	21,241,327	21,772,278	-	21,772,278
Support	197,324	-	197,324	226,287	-	226,287
Health and Human Services grant	-	-	-	159,750	-	159,750
Rental income	-	3,413	3,413	-	4,254	4,254
Interest income	105,269	-	105,269	85,918	-	85,918
Consulting and other contract revenue	70,662	-	70,662	154,960	-	154,960
Net assets released from restrictions:						
Satisfaction of donor and grantor restrictions	12,636,511	(12,636,511)	-	10,009,591	(10,009,591)	-
Total Revenues and Support	34,251,093	-	34,251,093	32,408,784	-	32,408,784
Expenses						
Program Services						
Partial care	1,351,041	-	1,351,041	1,277,974	-	1,277,974
PACT teams	13,000,836	-	13,000,836	12,908,301	-	12,908,301
PACT training program	51,475	-	51,475	60,388	-	60,388
Homeless	440,875	-	440,875	418,535	-	418,535
Supported employment	438,093	-	438,093	424,934	-	424,934
Sussex programs	1,386,801	-	1,386,801	1,367,895	-	1,367,895
Designated screening services	1,692,475	-	1,692,475	1,577,904	-	1,577,904
Supported housing	2,406,109	-	2,406,109	2,460,189	-	2,460,189
RIST program	4,033,020	-	4,033,020	4,178,343	-	4,178,343
Supported education	54,515	-	54,515	150,070	-	150,070
EISS	1,767,137	-	1,767,137	1,169,214	-	1,169,214
At risk	72,991	-	72,991	79,214	-	79,214
Other programs	3,368,793	-	3,368,793	1,932,179	-	1,932,179
Total Program Services	30,064,161	-	30,064,161	28,005,140	-	28,005,140
Supporting Services						
Fundraising	109,969	-	109,969	48,966	-	48,966
Management and general	4,434,844	-	4,434,844	4,422,558	-	4,422,558
Total Supporting Services	4,544,813	-	4,544,813	4,471,524	-	4,471,524
Total Expenses	34,608,974	-	34,608,974	32,476,664	-	32,476,664
Changes in Net Assets	(357,881)	-	(357,881)	(67,880)	-	(67,880)
Net Assets - Beginning of Year	8,295,553	-	8,295,553	8,363,433	-	8,363,433
Net Assets - End of Year	\$ 7,937,672	\$ -	\$ 7,937,672	\$ 8,295,553	\$ -	\$ 8,295,553

See accompanying notes to financial statements

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

**Statements of Functional Expenses
Year Ended June 30, 2023**

	Program Services							
	Partial Care	PACT Teams	PACT Training Program	Homeless	Supported Employment	Sussex Programs	Designated Screening Services	Supported Housing
Expenses								
Personnel services	\$ 917,595	\$ 9,931,012	\$ 42,664	\$ 322,929	\$ 371,822	\$ 960,300	\$ 1,250,055	\$ 2,076,689
Professionals and Consultants	87,045	1,319,623	314	6,583	8,360	74,909	265,788	34,576
Materials and supplies	64,172	61,634	20	2,107	1,613	29,095	9,438	9,372
Facility costs	107,071	619,853	1,946	40,360	21,247	135,358	119,751	142,065
Assistance to clients	9,920	39,270	-	20,562	1,312	7,232	4,180	19,835
Other	108,690	884,768	6,531	33,073	20,742	111,569	37,398	108,343
Unfunded depreciation	56,548	144,676	-	15,261	12,997	68,338	5,865	15,229
Total Functional Expenses	\$ 1,351,041	\$ 13,000,836	\$ 51,475	\$ 440,875	\$ 438,093	\$ 1,386,801	\$ 1,692,475	\$ 2,406,109

See accompanying notes to financial statements

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Statements of Functional Expenses (Continued)
Year Ended June 30, 2023

	<u>Program Services</u>					<u>Supporting Services</u>			
	<u>RIST Program</u>	<u>Supported Education</u>	<u>EISS</u>	<u>At Risk</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Expenses									
Personnel services	\$ 3,304,399	\$ 21,900	\$ 1,363,337	\$ 52,816	\$ 2,573,680	\$ 23,189,198	\$ 30,000	\$ 3,232,883	\$ 26,452,081
Professionals and consultants	51,159	411	38,897	629	177,343	2,065,637	-	426,115	2,491,752
Materials and supplies	4,722	524	10,831	667	53,970	248,165	-	44,858	293,023
Facility costs	330,941	6,959	183,574	4,539	364,652	2,078,316	-	269,258	2,347,574
Assistance to clients	39,953	29	21,737	1,172	45,890	211,092	-	-	211,092
Other	274,449	19,000	129,690	13,168	136,305	1,883,726	79,969	332,030	2,295,725
Unfunded depreciation	27,397	5,692	19,071	-	16,953	388,027	-	129,700	517,727
Total Functional Expenses	<u>\$ 4,033,020</u>	<u>\$ 54,515</u>	<u>\$ 1,767,137</u>	<u>\$ 72,991</u>	<u>\$ 3,368,793</u>	<u>\$ 30,064,161</u>	<u>\$ 109,969</u>	<u>\$ 4,434,844</u>	<u>\$ 34,608,974</u>

See accompanying notes to financial statements

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Statements of Functional Expenses (Continued)
Year Ended June 30, 2022

	Program Services							
	Partial Care	PACT Teams	PACT Training Program	Homeless	Supported Employment	Sussex Programs	Designated Screening Services	Supported Housing
Expenses								
Personnel services	\$ 977,428	\$ 9,601,362	\$ 55,069	\$ 343,376	\$ 370,605	\$ 979,612	\$ 1,142,257	\$ 2,125,353
Professionals and consultants	63,883	1,542,724	385	7,194	9,140	80,423	258,716	38,504
Materials and supplies	14,251	83,171	-	2,072	2,686	10,455	6,340	10,456
Facility costs	100,545	603,067	-	25,572	19,979	138,179	108,933	135,984
Assistance to clients	870	56,704	-	2,783	283	6,468	4,014	35,390
Other	68,807	862,306	297	29,206	19,395	79,420	36,019	111,627
Unfunded depreciation	52,190	158,967	4,637	8,332	2,846	73,338	21,625	2,875
	<u>1,277,974</u>	<u>12,908,301</u>	<u>60,388</u>	<u>418,535</u>	<u>424,934</u>	<u>1,367,895</u>	<u>1,577,904</u>	<u>2,460,189</u>
Less: Capital asset purchases expensed for grant reporting	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Functional Expenses	<u>\$ 1,277,974</u>	<u>\$ 12,908,301</u>	<u>\$ 60,388</u>	<u>\$ 418,535</u>	<u>\$ 424,934</u>	<u>\$ 1,367,895</u>	<u>\$ 1,577,904</u>	<u>\$ 2,460,189</u>

See accompanying notes to financial statements

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

**Statements of Functional Expenses (Continued)
Year Ended June 30, 2022**

	<u>Program Services</u>					<u>Supporting Services</u>			
	<u>RIST Program</u>	<u>Supported Education</u>	<u>EISS</u>	<u>At Risk</u>	<u>Other Programs</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Expenses									
Personnel services	\$ 3,461,647	\$ 98,605	\$ 1,000,251	\$ 56,956	\$ 1,580,437	\$ 21,792,958	\$ 4,685	\$ 3,186,522	\$ 24,984,165
Professionals and consultants	59,855	1,188	44,834	841	95,392	2,203,079	47	427,410	2,630,536
Materials and supplies	9,466	425	5,825	99	11,275	156,521	-	35,698	192,219
Facility costs	282,906	13,891	80,479	8,806	138,802	1,657,143	-	225,461	1,882,604
Assistance to clients	74,228	157	15,137	2,011	13,600	211,645	2,800	-	214,445
Other	227,159	32,958	26,555	10,501	76,906	1,581,156	41,434	438,123	2,060,713
Unfunded depreciation	63,082	2,846	4,838	-	15,767	411,343	-	109,344	520,687
	<u>4,178,343</u>	<u>150,070</u>	<u>1,177,919</u>	<u>79,214</u>	<u>1,932,179</u>	<u>28,013,845</u>	<u>48,966</u>	<u>4,422,558</u>	<u>32,485,369</u>
Less: Capital asset purchases expensed for grant reporting	<u>-</u>	<u>-</u>	<u>8,705</u>	<u>-</u>	<u>-</u>	<u>8,705</u>	<u>-</u>	<u>-</u>	<u>8,705</u>
Total Functional Expenses	<u>\$ 4,178,343</u>	<u>\$ 150,070</u>	<u>\$ 1,169,214</u>	<u>\$ 79,214</u>	<u>\$ 1,932,179</u>	<u>\$ 28,005,140</u>	<u>\$ 48,966</u>	<u>\$ 4,422,558</u>	<u>\$ 32,476,664</u>

See accompanying notes to financial statements

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Statements of Cash Flows Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (357,881)	\$ (67,880)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	510,381	520,687
Amortization of right-of-use assets	751,455	-
Gain on disposal of fixed assets	-	(115,121)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable – Medicaid	(3,465,349)	313,734
Grants receivable	(1,384)	(582,157)
Other receivables	3,281	32,700
Prepaid expenses and other assets	(60,031)	(115,666)
Increase (decrease) in:		
Accounts payable and accrued expenses	63,005	(343,559)
Due to Department of Human Services	(1,212,017)	591,610
Deferred revenue	81,138	(43,220)
Lease liabilities	(715,294)	-
Refundable advances	(122,736)	(174,730)
Net Cash Provided by (Used in) Operating Activities	<u>(4,525,432)</u>	<u>16,398</u>
Cash Flows from Investing Activities		
Purchase of certificates of deposit	(70,576)	(3,465)
Proceeds from disposal of fixed assets	-	115,121
Purchase of property and equipment	(692,738)	(1,218,192)
Net Cash Used in Investing Activities	<u>(763,314)</u>	<u>(1,106,536)</u>
Cash Flows from Financing Activities		
Payments on mortgage payable	(56,644)	(54,762)
Net Cash Used in Financing Activities	<u>(56,644)</u>	<u>(54,762)</u>
Decrease in Cash and Cash Equivalents	(5,345,390)	(1,144,900)
Cash and Cash Equivalents - Beginning of Year	<u>8,878,251</u>	<u>10,023,151</u>
Cash and Cash Equivalents - End of Year	<u>\$ 3,532,861</u>	<u>\$ 8,878,251</u>
Supplemental Information		
Cash paid for interest	<u>\$ 37,433</u>	<u>\$ 58,684</u>

See accompanying notes to financial statements

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Notes to Financial Statements June 30, 2023 and 2022

Note 1 - Organization

Bridgeway Behavioral Health Services ["Bridgeway" or the "Organization"] is a nonprofit organization which provides mental health services to adults through a variety of programs in eleven counties throughout New Jersey.

Note 2 - Summary of Significant Accounting Policies

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the required changes in the financial statements is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Bridgeway adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

Bridgeway elected the available practical expedients to account for their existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In addition, Bridgeway elected the hindsight practical expedient to determine the lease term for existing leases. Their election of the hindsight practical expedient resulted in the shortening of lease terms for certain existing leases and the useful lives of corresponding leasehold improvements. In their application of hindsight, Bridgeway evaluated the performance of the leased buildings and the associated markets in relation to their overall real estate strategies, which resulted in the determination that most renewal options would not be reasonably certain in determining the expected lease term.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis and accounting principles generally accepted in the United States of America (GAAP). The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of trustees.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Notes to Financial Statements (Continued) June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain 2022 items have been reclassified to conform to the 2023 presentation. Such reclassifications had no effect on activities.

Cash and Cash Equivalents

Cash equivalents are comprised of certain highly liquid investments with a maturity of three months or less when purchased.

Certificates of Deposit

Certificates of deposit have original maturity dates greater than 90 days from the purchase date and are valued at cost plus accrued interest.

Property and Equipment

Property and equipment are stated at cost if purchased, fair value if donated. All expenditures for betterments and additions are capitalized. Expenditures for normal repairs and maintenance are charged against income as incurred. Depreciation and amortization are provided for financial reporting purposes on the basis of the various estimated useful lives of the assets, using the straight-line method.

Long-Lived Assets

Long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flow. The Organization did not identify any long-lived assets as being impaired during the years ended June 30, 2023 and 2022.

Revenue Recognition

Under generally accepted accounting principles, grant revenue is recognized when allowable expenditures in accordance with the cost-reimbursement grant have been incurred. The Organization has transitioned to Fee for Service reimbursement for most mental health services. Accordingly, Department of Human Services (DHS) and the Department of Mental Health and Addiction Services (DMHAS) offered an opportunity for providers to have the option to retain net contract surpluses as indicated on their final contract expenditure report, subject to certain conditions, for most deficit-funded contracts in place since fiscal year 2017. Based on the conditions noted by the State, the total amount of unspent funds carried forward as conditional at June 30, 2022 was \$142,736. During fiscal year 2023, \$122,736 was expended and thus, recognized as income resulting in a new refundable advance balance of \$20,000.

Medicaid and other fees revenue is recognized when performance obligations have been satisfied. A performance obligation is satisfied at a point in time when related services are rendered to eligible persons served within the programs of the Organization. The Organization will bill Medicaid on the service date and payment is typically received within 14 days.

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 and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

**Notes to Financial Statements (Continued)
June 30, 2023 and 2022**

Note 2 - Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

Bridgeway maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At various times during the year, the Organization’s cash balances exceeded the federal insured limits. At June 30, 2023 and 2022, the uninsured cash balances totaled \$2,705,836 and \$8,250,245, respectively.

Advertising

The Organization expenses all advertising costs when incurred. Amounts expensed for advertising amounted to \$57,169 and \$32,196 for the years ended June 30, 2023 and 2022, respectively.

Due to Department of Human Services

The balance in this account consists of monies owed to the Department of Human Services due to under spending of budgeted grant amounts.

Refundable Advance

The balance in this account consists of program revenues received in advance of their usage.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis based on a direct costing method for charging expenses to each function, which is consistent with the benefit derived by each program.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel services	Time and effort
Professionals and consultants	Direct cost
Materials and supplies	Direct cost
Facility costs	Direct cost and square footage
Assistance to clients	Direct cost
Other	Direct cost
Equipment purchases	Direct cost
Depreciation	Direct cost

Additionally, certain management and general and property expenses have been allocated to program services based on the percentage of each program’s direct expenses to total expense or each program’s personnel expense to total personnel expense.

Leases

The Organization determines if an arrangement is a lease at inception. A contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This assessment is performed at the inception of each contract that may contain a lease. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the Statement of Financial Position.

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Notes to Financial Statements (Continued) June 30, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (Continued)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. When leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

For certain leases, such as office space, the Organization accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next.

These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Organization has elected to apply the short-term lease exemption to all classes of underlying assets.

Note 3 - Liquidity and Availability

The Organization's goal is generally to maintain financial assets to meet six months of operating expenses (Approximately \$17,300,000). As part of its liquidity plan, excess cash is invested in money market funds and certificates of deposit. These funds are available if the need arises. At June 30, 2023 and 2022, the Organization has no net assets with donor restrictions. As described in Note 5, the Organization has a \$2,000,000 credit line available.

The following represents the financial assets at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 3,532,861	\$ 8,878,251
Certificates of deposit	418,096	347,520
Accounts receivable – Medicaid	6,894,261	3,428,912
Grants receivable	887,413	886,029
Other receivables	<u>8,889</u>	<u>12,170</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 11,741,520</u>	<u>\$ 13,552,882</u>

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Notes to Financial Statements (Continued) June 30, 2023 and 2022

Note 4 - Certificates of Deposit

Certificates of deposit are measured at cost plus accrued interest in the statements of financial position. Interest income is included in net assets without donor restrictions.

	<u>2023</u>		
	<u>Cost</u>	<u>Accrued Interest</u>	<u>Fair Value</u>
Certificates of deposit	\$ <u>414,141</u>	\$ <u>3,955</u>	\$ <u>418,096</u>
	<u>2022</u>		
	<u>Cost</u>	<u>Accrued Interest</u>	<u>Fair Value</u>
Certificates of deposit	\$ <u>344,055</u>	\$ <u>3,465</u>	\$ <u>347,520</u>

Note 5 - Credit Line

The Organization opened a credit line in December 2017 for \$2,000,000 that matures on May 31, 2024. The interest rate is prime rate plus .50%, not less than 4.25%. The interest rate at June 30, 2023 and 2022 was 8.25% and 4.75%, respectively. There was no balance due as of June 30, 2023 and 2022. The line is secured by certain assets of the Organization.

Note 6 - Revenue from Contracts with Customers

The following table provides information about significant changes in contract assets as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Medicaid receivable, beginning of year	\$ 3,428,912	\$ 3,742,646
Receipt of Medicaid billings that was included in Medicaid receivable at the beginning of year	(3,428,912)	(3,742,646)
Current year Medicaid billings recognized as revenue	21,241,327	21,772,278
Receipt of current year Medicaid billings	<u>(14,347,066)</u>	<u>(18,343,366)</u>
Medicaid receivable, end of year	<u>\$ 6,894,261</u>	<u>\$ 3,428,912</u>

Since Medicaid does not provide cash advances for services to be performed, there were no contract liabilities under Medicaid contracts for the years ended June 30, 2023 and 2022.

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Notes to Financial Statements (Continued)
June 30, 2023 and 2022

Note 7 - Property and Equipment

At June 30, 2023 and 2022, the cost of these assets and accumulated depreciation were as follows:

	Lives	2023		
		Cost	Accumulated Depreciation	Net
Land	-	\$ 1,017,593	\$ -	\$ 1,017,593
Residential property	27.5 Years	276,463	276,463	-
Building and improvements	10-27.5 Years	9,081,771	3,352,484	5,729,287
Furniture, fixtures and equipment	4-10 Years	1,936,223	1,871,840	64,383
Vehicles	5 Years	<u>3,536,618</u>	<u>3,115,420</u>	<u>421,198</u>
Total		<u>\$ 15,848,668</u>	<u>\$ 8,616,207</u>	<u>\$ 7,232,461</u>

	Lives	2022		
		Cost	Accumulated Depreciation	Net
Land	-	\$ 1,017,593	\$ -	\$ 1,017,593
Residential property	27.5 Years	276,463	261,658	14,805
Building and improvements	10-27.5 Years	8,423,294	3,044,677	5,378,617
Furniture, fixtures and equipment	4-10 Years	1,920,848	1,850,858	69,990
Vehicles	5 Years	<u>3,726,595</u>	<u>3,157,496</u>	<u>569,099</u>
Total		<u>\$ 15,364,793</u>	<u>\$ 8,314,689</u>	<u>\$ 7,050,104</u>

Depreciation for the years ended June 30, 2023 and 2022 was \$510,381 and \$520,687, respectively. The Department of Human Services (the Department) requires Bridgeway to report acquisitions of fixed assets in filings with the Department, but to exclude depreciation from such reports. Federal and state grant agencies retain an equity interest in equipment purchased from grant funds.

Note 8 - Tax Status

Bridgeway is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Bridgeway is also exempt from New Jersey state income taxes and is current on all other tax liabilities as of June 30, 2023.

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Notes to Financial Statements (Continued) June 30, 2023 and 2022

Note 9 - Pension Plan

Bridgeway provides a contributory defined contribution pension plan for all employees. All employees are eligible to contribute on their first day of employment. All employees having completed one year with a minimum of 1,000 hours of service are eligible for employer contribution. Contributions are made at the discretion of management. The employee can contribute up to the maximum allowed by the IRS. The Organization contributed an additional 5% of each eligible employee's salary for the years ended June 30, 2023 and 2022. The pension expense was \$831,763 and \$795,660, respectively, for the years ended June 30, 2023 and 2022.

Note 10 - Notes Payable - Department of Human Services

Facilities

Bridgeway has purchased various facilities with state funds specifically designated for the purpose of carrying out grant assistance under Capital Funding Agreements as follows:

	#1	#2	#3
Date of Note	10/12/98	8/5/97	1/1/12
Original Amount of Note	\$ 456,003	\$ 139,285	\$ 856,272
Principal Balance	\$ 456,003	\$ 94,000	\$ 856,272
Maturity Date	1/10/16	6/15/17	12/31/31
Interest Rate	N/A	N/A	N/A
Date to which interest paid	N/A	N/A	N/A

Bridgeway holds title to the buildings during the term of the Capital Funding Agreement; the funds remain payable on demand to the Department upon default or expiration of the agreement.

Notes #1 and #2 have matured. Bridgeway and the State of New Jersey are in negotiations for the renewal of these notes.

Note 11 - Mortgage Payable

On July 2, 2020, the Organization entered into a mortgage with a local bank to purchase property at 373 Clermont Terrace in Union, New Jersey. The mortgage is for an original principal amount of \$1,566,000, secured by the purchased property, interest of 3.90%, amortized over a 20-year period. Fixed payments of principal and interest are \$9,454 per month beginning on September 1, 2020. Terms of the mortgage are subject to revision after 10 years.

The future payments under the mortgage are as follows:

<u>Years Ending June 30,</u>	
2024	\$ 58,524
2025	61,031
2026	63,489
2027	66,045
2028	68,582
Thereafter	<u>1,083,549</u>
Total	\$ <u>1,401,220</u>

Total interest expense for the years ended June 30, 2023 and 2022 was \$37,433 and \$58,684, respectively.

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Notes to Financial Statements (Continued) June 30, 2023 and 2022

Note 12 - Revenue Concentration

The following funding sources represented significant revenue concentrations for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
DMHAS	26%	25%
Medicaid	42%	46%

Note 13 - Leases

Bridgeway leases various facilities for its programs under non-cancelable operating leases expiring between 2024 and 2032. As of June 30, 2023, assets recorded under operating leases were \$2,740,896. In accordance with ASC 842, maturities of operating lease liabilities as of June 30, 2023 were as follows:

<u>Years Ending June 30,</u>	
2024	\$ 832,932
2025	727,292
2026	559,377
2027	405,984
2028	97,426
Thereafter	<u>341,526</u>
Total	<u>2,964,537</u>
Less: Present value discount	<u>(187,480)</u>
Total	<u>\$ 2,777,057</u>

The weighted average of the remaining lease term at June 30, 2023 for operating leases is 4.57 years. The weighted average discount rate at June 30, 2023 for operating leases is 2.87%

In accordance with ASC 842, rent expense for the year ended June 30, 2023 was \$751,455.

In accordance with ASC 840, rent expense for the year ended June 30, 2022 was \$859,749.

In accordance with ASC 840, aggregate future minimum rental payments under operating leases as of June 30, 2022 were as follows:

<u>Years Ending June 30,</u>	
2023	\$ 931,669
2024	468,558
2025	334,344
2026	299,932
2027	231,780
Thereafter	<u>44,286</u>
Total	<u>\$ 2,310,569</u>

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Notes to Financial Statements (Continued) **June 30, 2023 and 2022**

Note 14 - Subsequent Events

Management evaluated all activity of the Organization through February 15, 2024, the date these financial statements were available to be issued, and concluded that no subsequent events occurred that would require recognition or disclosure in the financial statements, except as noted below.

On July 18, 2023, Management of the Organization entered into an agreement with Woods Services, Inc. (“Woods”), in which Bridgeway agrees to become an Affiliate of Woods. In consideration of this agreement, Woods will transfer to Bridgeway a total of \$3,000,000, to be paid in three installments within two years of the Closing date. Management asserts that the affiliation will provide Bridgeway as well as persons served by Bridgeway with additional value in operations.

SUPPLEMENTARY INFORMATION

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

**Reconciliation of Financial Statements with Final Report of Expenditures to the State of New Jersey Division of Mental Health and Addiction Services
Year Ended June 30, 2023**

	<u>Partial Care</u>	<u>PACT Teams</u>	<u>PACT Training Program</u>	<u>Homeless</u>	<u>Supported Employment</u>	<u>Sussex Programs</u>	<u>Designated Screening Services</u>	<u>Supported Housing</u>
Total Functional Expenses	\$ 1,351,041	\$ 13,000,836	\$ 51,475	\$ 440,875	\$ 438,093	\$ 1,386,801	\$ 1,692,475	\$ 2,406,109
Less: Unfunded Depreciation	<u>56,548</u>	<u>144,676</u>	<u>-</u>	<u>15,261</u>	<u>12,997</u>	<u>68,338</u>	<u>5,865</u>	<u>15,229</u>
Total Expenses and Equipment Purchases - Net	1,294,493	12,856,160	51,475	425,614	425,096	1,318,463	1,686,610	2,390,880
Allocation of Management General Expenses	<u>196,194</u>	<u>1,987,919</u>	<u>8,601</u>	<u>73,013</u>	<u>82,101</u>	<u>187,462</u>	<u>281,999</u>	<u>384,659</u>
Total Expenses and Equipment Purchases	1,490,687	14,844,079	60,076	498,627	507,197	1,505,925	1,968,609	2,775,539
Total Support and Revenue Excluding DMHAS Funding	<u>2,325,173</u>	<u>14,331,304</u>	<u>691</u>	<u>316,784</u>	<u>515,310</u>	<u>1,902,820</u>	<u>817,083</u>	<u>889,477</u>
Net Cost to be Funded by DMHAS	\$ <u><u>(834,486)</u></u>	\$ <u><u>512,775</u></u>	\$ <u><u>59,385</u></u>	\$ <u><u>181,843</u></u>	\$ <u><u>(8,113)</u></u>	\$ <u><u>(396,895)</u></u>	\$ <u><u>1,151,526</u></u>	\$ <u><u>1,886,062</u></u>

Note: Management and general expenses have been allocated in accordance with the prescribed policies of the Department of Human Services.

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

**Reconciliation of Financial Statements with Final Report of Expenditures to the State of New Jersey Division of Mental Health and Addiction Services (Continued)
Year Ended June 30, 2023**

	<u>RIST Program</u>	<u>Supported Education</u>	<u>EISS</u>	<u>At Risk</u>	<u>Other Programs</u>	<u>Fundraising/ Management and General</u>	<u>Total Expenses</u>
Total Functional Expenses	\$ 4,033,020	\$ 54,515	\$ 1,767,137	\$ 72,991	\$ 3,368,793	\$ 4,544,813	\$ 34,608,974
Less: Unfunded Depreciation	<u>27,397</u>	<u>5,692</u>	<u>19,071</u>	<u>-</u>	<u>16,953</u>	<u>129,700</u>	<u>517,727</u>
Toal Expenses and Equipment Purchases - Net	4,005,623	48,823	1,748,066	72,991	3,351,840	4,415,113	34,091,247
Allocation of Management and General Expenses	<u>643,794</u>	<u>-</u>	<u>311,005</u>	<u>19,951</u>	<u>48,226</u>	<u>(4,224,924)</u>	<u>-</u>
Toal Expenses and Equipment Purchases	4,649,417	48,823	2,059,071	92,942	3,400,066	190,189	34,091,247
Total Support and Revenue Excluding DMHAS Funding	<u>1,504,960</u>	<u>48,823</u>	<u>64,409</u>	<u>(20,242)</u>	<u>3,067,107</u>	<u>190,189</u>	<u>25,953,888</u>
Net Cost to be Funded by DMHAS	\$ <u>3,144,457</u>	\$ <u>-</u>	\$ <u>1,994,662</u>	\$ <u>113,184</u>	\$ <u>332,959</u>	\$ <u>-</u>	\$ <u>8,137,359</u>
CONTRACT NUMBER 20401/FFS-20401							\$ <u>8,137,359</u>

Note: Management and general expenses have been allocated in accordance with the prescribed policies of the Department of Human Services.

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Federal Program Title	Assistance Listing Number	Pass-Through		Total Program Award	Expenditures
		Grantor's Number	Grant Period		
<u>Federal</u>					
U.S. Department of Health and Human Services					
Passed through New Jersey State Department of Human Services					
Block Grants for Community Mental Health Services	93.958	20401	7/1/22 - 6/30/23	\$ 5,023,298	\$ 4,224,800
Block Grants for Community Mental Health Services	93.958	1H79SM085435-01	9/30/21 - 9/29/22	1,500,000	203,851
Block Grants for Community Mental Health Services	93.958	1H79SM085435-01	9/30/22 - 9/29/23	1,500,000	641,454
				8,023,298	5,070,105
Projects for Assistance in Transition from Homelessness (PATH)	93.150	20401	7/1/22 - 6/30/23	91,378	76,853
Passed through Substance Abuse and Mental Health Services					
Projects of Regional National Significance (PRNS)					
Homeless Outreach and Support Team (HOST)	93.243	5H79SM080764-02	9/30/21 - 9/29/22	488,422	129,989
Homeless Outreach and Support Team (HOST)	93.243	5H79SM080764-03	9/30/22 - 9/29/23	488,422	359,882
				976,844	489,871
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	1H79SM085211-01	8/31/21 - 8/30/22	2,000,000	276,468
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829	1H79SM085211-01	8/31/22 - 8/30/23	2,000,000	1,533,340
				4,000,000	1,809,808
Total U.S. Department of Health and Human Services				13,091,520	7,446,637
U.S. Department of Housing and Urban Development					
HUD Continuum of Care Program	14.267	22-COC-100	7/1/22 - 6/30/23	30,149	29,932
Total Federal Awards					\$ 7,476,569

See accompanying notes to schedule of expenditures of federal awards and state financial assistance

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

**Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
Year Ended June 30, 2023**

<u>State Grantor/Pass-Through Grantor/State Program Title</u>	<u>Pass-Through</u>		<u>Total Program Award</u>	<u>Expenditures</u>	<u>Cumulative Expenditures</u>
	<u>Grantor's Number</u>	<u>Grant Period</u>			
<u>State</u>					
New Jersey State Department of Human Services					
Block Grants for Community Mental Health Services	20401	7/1/22 - 6/30/23	\$ 5,466,882	\$ 4,597,872	\$ 4,597,872
County of Union Department of Human Services					
HEARTH Emergency Solutions	21-HES-100	8/1/21 - 7/31/22	27,800	2,317	2,317
HEARTH Emergency Solutions	22-HES-100	8/1/22 - 7/31/23	16,891	15,483	15,483
				<u>17,800</u>	<u>17,800</u>
Alcohol Program	22-ALC-100	1/1/22 - 12/31/22	123,916	35,541	35,541
Alcohol Program	23-ALC-100	1/1/23 - 12/31/23	127,031	19,178	19,178
				<u>54,719</u>	<u>54,719</u>
Homeless Trust Fund	22-HTF-135	9/1/22 - 9/30/23	99,004	57,085	57,085
Social Services for the Homeless	22-SSH-100	1/1/22 - 12/31/22	13,927	8,580	8,580
Social Services for the Homeless	23-SSH-100	1/1/23 - 12/31/23	13,927	9,845	9,845
				<u>18,425</u>	<u>18,425</u>
Total State Financial Assistance				<u>\$ 4,745,901</u>	<u>\$ 4,745,901</u>

See accompanying notes to schedule of expenditures of federal awards and state financial assistance

BRIDGEWAY BEHAVIORAL HEALTH SERVICES

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance Year Ended June 30, 2023

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) present the activities in all the federal and state award programs of Bridgeway Behavioral Health Services (“Bridgeway”) for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the 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) and the State of New Jersey OMB Circular 15-08-OMB. Because the Schedule presents only a selected portion of the operations of Bridgeway, it is not intended to and does not present the financial position, change in net assets, or cash flows of Bridgeway. All financial awards received directly from federal and state agencies, as well as financial awards passed through other governmental agencies or non-profit organizations, are included on the Schedule.

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. No funds were provided by sub-recipients.

Note 3 - Relationship to the Financial Statements

Amounts reported in the accompanying Schedule agree with the amounts reported in Bridgeway’s financial statements.

Note 4 – Indirect Cost Rate

Bridgeway has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



February 15, 2024

Board of Trustees
Bridgeway Behavioral Health Services
Union, New Jersey

Independent Auditor's 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*

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 Bridgeway Behavioral Health Services (nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2023, 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, and have issued our report thereon dated February 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bridgeway Behavioral Health Services' 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bridgeway Behavioral Health Services' 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*.

Bridgeway Behavioral Health Services' Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Bridgeway Behavioral Health Services' response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Bridgeway Behavioral Health Services' response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hill, Barth & King LLC

Certified Public Accountants



February 15, 2024

Board of Trustees
Bridgeway Behavioral Health Services
Union, New Jersey

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and the State of New Jersey OMB Circular 15-08-OMB

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited Bridgeway Behavioral Health Services' compliance with the types of compliance requirements identified as subject to audit in the OMB and New Jersey OMB Compliance Supplements that could have a direct and material effect on each of Bridgeway Behavioral Health Services' major federal and state programs for the year ended June 30, 2023. Bridgeway Behavioral Health Services' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bridgeway Behavioral Health Services 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 programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal and State Programs

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) and New Jersey OMB Circular 15-08-OMB. Our responsibilities under those standards and the Uniform Guidance and New Jersey OMB Circular 15-08-OMB are further described in the Auditor's Responsibilities for the Auditing of Compliance section of our report.

We are required to be independent of Bridgeway Behavioral Health Services 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 and state program. Our audit does not provide a legal determination of Bridgeway Behavioral Health Services' 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 Bridgeway Behavioral Health Services' federal and state programs.

Auditor's 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 Bridgeway Behavioral Health Services' 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 and New Jersey OMB Circular 15-08-OMB 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 substantial likelihood that individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Bridgeway Behavioral Health Services' compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and New Jersey OMB Circular 15-08-OMB, 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 Bridgeway Behavioral Health Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Bridgeway Behavioral Health Services' 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 and New Jersey OMB Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of Bridgeway Behavioral Health Services' 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 and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 and state 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 and state 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 Auditor's 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 have not been 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 and the New Jersey OMB Circular 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

Hill, Barth & King LLC
Certified Public Accountants

BRIDGEWAY BEHAVIORAL HEALTH SERVICES
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes X No
- Significant deficiency (ies) identified? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over federal programs:

- Material weakness (es) identified? Yes X No
- Significant deficiency (ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? Yes X No

Identification of major federal programs:

<u>Assistance Listing Number (s)</u>	<u>Name of Federal Program</u>
93.958	Block Grants for Community Mental Health Services
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? X Yes No

BRIDGEWAY BEHAVIORAL HEALTH SERVICES
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section I - Summary of Auditor's Results (Continued)

State Financial Assistance

Internal control over state programs:

- Material weakness (es) identified? _____ Yes X No
- Significant deficiency (ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major state programs: _____ Unmodified _____

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? _____ Yes X No

Identification of major state programs:

<u>Grant ID</u>	<u>Name of State Program</u>
20401	New Jersey State Department of Human Services Block Grants for Community Mental Health Services

Dollar threshold used to distinguish between type A and type B programs: _____ \$750,000 _____

Auditee qualified as low-risk auditee? _____ X Yes _____ No

BRIDGEWAY BEHAVIORAL HEALTH SERVICES
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section II – Findings Relating to the Financial Statements which are Required to be Reported in Accordance with GAGAS

This section identified the significant deficiencies, material weaknesses, fraud, and noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with 2 CFR Section 200.515(d)(2) of the Uniform Guidance and Chapter 4 of *Government Auditing Standards*.

Finding 2023-001 – Significant Deficiency

Criteria:

Management is responsible for establishing and maintaining effective internal control over cash receipt processing and revenue recognition in accordance with US GAAP.

Condition:

The Controller was reviewing the statement of financial position accounts and identified an error in the deferred revenue account. Upon further investigation, it was found that a duplicate entry was booked that was not identified when the bank reconciliations were prepared and reviewed resulting in an overstatement of cash and deferred revenue. Due to the timing of the control activity being performed, which was 7 months after year-end, HBK determines this to be a significant deficiency in the internal control.

Cause:

Untimely supervisory review of statement of financial position accounts and bank reconciliations.

Effect:

Cash and deferred revenue were overstated without detection for several months after the statement of financial position date.

Questioned Costs:

There were no known questioned costs related to this finding.

Recommendation:

Management has established internal controls to detect misstatements, however for these to be operating effectively, they should be done on a timely basis to identify errors in financial statements and reporting.

Auditee's Response:

Bridgeway has sound internal control procedures to detect and correct misstatements that would have a direct effect on the financial statement. However, due to a shortage of staff for fiscal year 2023, the error was not timely detected. As of now, management has enough resources to follow established procedures of reviewing entries and bank recs on a timely basis. We do not anticipate any errors of such going forward. The responsible official is Susan Guillermo, Controller. See attached corrective action plan.

BRIDGEWAY BEHAVIORAL HEALTH SERVICES
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2023

Section III – Findings and Questioned Costs for Federal and State Awards

This section identifies audit findings required to be reported by the 2 CFR 200.516(a) of the Uniform Guidance and the New Jersey OMB Circular 15-08-OMB.

NONE

BRIDGEWAY BEHAVIORAL HEALTH SERVICES
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

This section identifies the status of prior year audit findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with Chapter 4 of the *Government Auditing Standards*, the Uniform Guidance (2 CFR 200.511(a)) and the New Jersey OMB Circular 15-08-OMB.

NONE



CORRECTIVE ACTION PLAN
Year ended June 30, 2023

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2023-001	Management has internal controls to detect misstatements and now management will correct the errors on timely basis to reflect in financial statement and reporting.	February 2024	Controller