

**BRAIN INJURY ALLIANCE OF NEW  
JERSEY, INC.**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

June 30, 2019 and 2018

**BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

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June 30, 2019 and 2018

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of the  
Brain Injury Alliance of New Jersey, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Brain Injury Alliance of New Jersey, Inc. (the "Alliance") which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 controls. 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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alliance as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and State of New Jersey Circular Letter 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are presented for purposes of additional analysis and are 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 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 October 30, 2019 on our consideration of the Alliance'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 the effectiveness of the Alliance'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 Alliance's internal control over financial reporting and compliance.

*Mercedien, P.C.*  
*Certified Public Accountants*

October 30, 2019

**BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

## STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 536,043	\$ 414,899
Cash held on behalf of others - Timbo Fund	30,279	31,257
Accounts receivable	69,993	93,046
Grants receivable	141,184	266,976
Investments	751,014	703,980
Other assets	41,337	37,519
Property and equipment, net	<u>7,500</u>	<u>15,000</u>
Total Assets	<u>\$ 1,577,350</u>	<u>\$ 1,562,677</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 37,886	\$ 74,191
Accrued expenses	19,322	32,104
Refundable advances and deferred revenues	11,961	55,554
Held on behalf of others - Timbo Fund	<u>30,279</u>	<u>31,257</u>
Total Liabilities	<u>99,448</u>	<u>193,106</u>
Net Assets		
Without donor restrictions		
Available for general operations	1,245,090	1,131,891
Board designated reserve	<u>148,000</u>	<u>148,000</u>
Total without donor restrictions	1,393,090	1,279,891
With donor restrictions	<u>84,812</u>	<u>89,680</u>
Total Net Assets	<u>1,477,902</u>	<u>1,369,571</u>
Total Liabilities and Net Assets	<u>\$ 1,577,350</u>	<u>\$ 1,562,677</u>

**BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues						
Public Support						
Grants and contracts	\$ 2,301,531	\$ -	\$ 2,301,531	\$ 2,076,209	\$ -	\$ 2,076,209
Contributions	151,445	137,798	289,243	121,992	157,324	279,316
Revenues						
Client fees	12,035	-	12,035	7,794	-	7,794
Membership fees	5,288	-	5,288	4,557	-	4,557
Seminars	32,366	-	32,366	41,576	-	41,576
Fundraising	264,480	-	264,480	229,491	-	229,491
Net assets released from restrictions	142,666	(142,666)	-	166,718	(166,718)	-
Total public support and revenues	<u>2,909,811</u>	<u>(4,868)</u>	<u>2,904,943</u>	<u>2,648,337</u>	<u>(9,394)</u>	<u>2,638,943</u>
Expenses						
Program services						
Community services	141,328	-	141,328	140,380	-	140,380
TREK	65,242	-	65,242	64,777	-	64,777
Traffic safety & prevention	511,953	-	511,953	423,589	-	423,589
Family support	282,622	-	282,622	263,545	-	263,545
TBI fund	751,118	-	751,118	742,518	-	742,518
Support coordination	635,512	-	635,512	547,714	-	547,714
CARES	66,244	-	66,244	84,988	-	84,988
Total program services	<u>2,454,019</u>	<u>-</u>	<u>2,454,019</u>	<u>2,267,511</u>	<u>-</u>	<u>2,267,511</u>
Supporting services						
Management and general	340,859	-	340,859	308,453	-	308,453
Fundraising	39,550	-	39,550	41,900	-	41,900
Total supporting services	<u>380,409</u>	<u>-</u>	<u>380,409</u>	<u>350,353</u>	<u>-</u>	<u>350,353</u>
Total expenses	<u>2,834,428</u>	<u>-</u>	<u>2,834,428</u>	<u>2,617,864</u>	<u>-</u>	<u>2,617,864</u>
Change in net assets before non-operating activities	75,383	(4,868)	70,515	30,473	(9,394)	21,079
Interest and dividend income	17,310	-	17,310	10,586	-	10,586
Realized and unrealized gain, net	20,506	-	20,506	27,455	-	27,455
Change in net assets	113,199	(4,868)	108,331	68,514	(9,394)	59,120
Net assets, beginning of year	1,279,891	89,680	1,369,571	1,211,377	99,074	1,310,451
Net assets, end of year	<u>\$ 1,393,090</u>	<u>\$ 84,812</u>	<u>\$ 1,477,902</u>	<u>\$ 1,279,891</u>	<u>\$ 89,680</u>	<u>\$ 1,369,571</u>

See notes to financial statements.

**BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2019

	Program Services							Supporting Services			
	Community Services	TREK	Traffic Safety & Prevention	Family Support	TBI Fund	Support Coordination	CARES	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 95,116	\$ 20,897	\$ 213,634	\$ 199,705	\$ 494,485	\$ 455,836	\$ 43,596	\$ 1,523,269	\$ 231,328	\$ -	\$ 1,754,597
Payroll taxes	8,394	1,844	18,854	17,624	43,639	40,228	3,847	134,430	20,415	-	154,845
Benefits	11,220	2,465	25,200	23,557	58,329	53,769	5,143	179,683	27,287	-	206,970
Total personnel services	114,730	25,206	257,688	240,886	596,453	549,833	52,586	1,837,382	279,030	-	2,116,412
Professional fees	2,188	1,678	25,514	5,536	14,491	12,523	1,197	63,127	8,374	-	71,501
Office expense	1,561	133	1,257	1,981	4,570	4,354	276	14,132	6,105	-	20,237
Program supplies	2,088	12,211	106,893	2,421	40,419	923	1,405	166,360	4,470	-	170,830
Occupancy	6,457	24,218	13,030	12,655	34,285	28,259	2,466	121,370	12,751	-	134,121
Maintenance and repairs	29	5	52	63	153	168	16	486	78	-	564
Travel	959	414	2,846	3,081	6,835	20,229	5,814	40,178	2,676	-	42,854
Telephone	480	80	780	1,114	3,324	6,105	1,327	13,210	1,208	-	14,418
Postage	394	92	633	603	1,462	1,465	124	4,773	776	-	5,549
Conference and conventions	619	-	8,659	270	11,765	24	10	21,347	5,139	-	26,486
Training	89	-	2,412	142	1,656	1,199	141	5,639	1,471	-	7,110
Dues and subscriptions	1,503	100	400	4,718	6,759	486	56	14,022	7,183	-	21,205
Insurance	921	877	1,858	1,805	4,313	4,030	352	14,156	5,737	-	19,893
Printing and publications	23	-	34	50	160	101	59	427	238	-	665
Advertising	1,165	128	89,115	1,875	14,025	4,842	314	111,464	1,603	-	113,067
Seminar costs	7,906	-	-	4,990	9,300	-	-	22,196	270	-	22,466
Fundraising	-	-	-	-	-	-	-	-	-	39,550	39,550
Depreciation	216	100	782	432	1,148	971	101	3,750	3,750	-	7,500
Total expenses	<u>\$ 141,328</u>	<u>\$ 65,242</u>	<u>\$ 511,953</u>	<u>\$ 282,622</u>	<u>\$ 751,118</u>	<u>\$ 635,512</u>	<u>\$ 66,244</u>	<u>\$ 2,454,019</u>	<u>\$ 340,859</u>	<u>\$ 39,550</u>	<u>\$ 2,834,428</u>

**BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2018

	Program Services							Supporting Services			Total
	Community Services	TREK	Traffic Safety & Prevention	Family Support	TBI Fund	Support Coordination	CARES	Total Program Services	Management and General	Fundraising	
Salaries	\$ 92,846	\$ 22,064	\$ 162,169	\$ 188,282	\$ 462,586	\$ 385,969	\$ 59,604	\$ 1,373,520	\$ 198,583	\$ -	\$ 1,572,103
Payroll taxes	8,251	1,961	14,413	16,733	41,111	34,302	5,297	122,068	17,647	-	139,715
Benefits	11,174	2,655	19,517	22,660	55,672	46,452	7,173	165,303	23,900	-	189,203
Total personnel services	112,271	26,680	196,099	227,675	559,369	466,723	72,074	1,660,891	240,130	-	1,901,021
Professional fees	4,204	3,103	15,690	6,381	18,858	11,250	1,456	60,942	8,225	-	69,167
Office expense	903	-	1,070	1,654	10,086	6,249	591	20,553	6,267	-	26,820
Program supplies	1,982	12,819	140,787	1,312	54,332	4,679	390	216,301	4,829	-	221,130
Occupancy	6,321	19,750	9,482	12,643	34,382	26,339	4,214	113,131	15,804	-	128,935
Maintenance and repairs	30	-	48	62	142	132	14	428	75	-	503
Travel	1,266	1,012	3,852	1,602	6,690	14,679	4,133	33,234	2,586	-	35,820
Telephone	602	-	652	888	3,164	6,225	294	11,825	1,322	-	13,147
Postage	331	-	496	662	5,142	574	221	7,426	828	-	8,254
Conference and conventions	1,269	482	5,632	1,290	11,287	128	60	20,148	4,410	-	24,558
Training	24	-	5,952	205	1,255	897	38	8,371	610	-	8,981
Dues and subscriptions	166	144	207	167	5,547	41	-	6,272	7,715	-	13,987
Insurance	910	680	1,365	1,820	4,398	3,792	607	13,572	6,138	-	19,710
Printing and publications	23	-	32	63	171	174	72	535	516	-	1,051
Advertising	833	-	41,524	1,783	15,226	4,927	683	64,976	2,418	-	67,394
Seminar costs	9,013	-	-	4,902	11,241	-	-	25,156	2,830	-	27,986
Fundraising	-	-	-	-	-	-	-	-	-	41,900	41,900
Depreciation	232	107	701	436	1,228	905	141	3,750	3,750	-	7,500
Total expenses	<u>\$ 140,380</u>	<u>\$ 64,777</u>	<u>\$ 423,589</u>	<u>\$ 263,545</u>	<u>\$ 742,518</u>	<u>\$ 547,714</u>	<u>\$ 84,988</u>	<u>\$ 2,267,511</u>	<u>\$ 308,453</u>	<u>\$ 41,900</u>	<u>\$ 2,617,864</u>



**BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 108,331	\$ 59,120
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	7,500	7,500
Unrealized and realized gain on investments, net	(20,506)	(27,455)
(Increase) decrease in		
Accounts receivable	23,053	(24,460)
Grants receivable	125,792	(166,555)
Other assets	(3,818)	5,606
Increase (decrease) in		
Accounts payable	(36,305)	24,510
Accrued expenses	(12,782)	(8,914)
Refundable advances and deferred revenues	<u>(43,593)</u>	<u>(172,200)</u>
Net cash (used in) provided by operating activities	<u>147,672</u>	<u>(302,848)</u>
Cash flows used in investing activities		
Purchases of investments	(605,071)	(360,124)
Sales of investments	<u>578,543</u>	<u>340,625</u>
Net cash used in investing activities	<u>(26,528)</u>	<u>(19,499)</u>
Net change in cash and cash equivalents	121,144	(322,347)
Cash and cash equivalents, beginning of year	<u>414,899</u>	<u>737,246</u>
Cash and cash equivalents, end of year	<u>\$ 536,043</u>	<u>\$ 414,899</u>

See notes to financial statements.

## **BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **A. NATURE OF ORGANIZATION**

Brain Injury Alliance of New Jersey, Inc. (the "Alliance"), located in North Brunswick, NJ, is a nonprofit organization established in 1981. The Alliance is a founding member of the United States Brain Injury Alliance ("USBIA") and provides a range of services through its various programs, including: information and resource helpline and training sessions for people with brain injury, families and professionals; summer respite program; county based support groups; family support and care coordination; injury prevention services and systems advocacy.

#### **B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Presentation**

The financial statements of the Alliance have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Alliance is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions - net assets not subject to donor-imposed stipulations. Net assets without donor restrictions include both funds available for general operations and board designated reserves.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Alliance.

##### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications have no effect on the change in net assets.

##### **Cash and Cash Equivalents**

The Alliance considers cash equivalents to be all highly liquid debt instruments with an initial maturity of ninety days or less. Cash and cash equivalents consist mainly of cash and money market funds.

##### **Restricted Cash - Timbo Fund**

Amounts included in restricted cash on the statements of financial position represent cash whose use is restricted.

##### **Accounts Receivable**

Accounts receivable consists primarily of fee for service contract revenue. The Alliance considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

## **BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

### NOTES TO FINANCIAL STATEMENTS

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#### **B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Grants Receivable**

Grants receivable consist mainly of grant funds receivable from the New Jersey Division of Highway Traffic Safety. The Alliance considers all grants receivable to be fully collectible based on an evaluation of collectibility and past experience; accordingly, no allowance for doubtful amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

##### **Investments**

Investments are stated at fair value in the statements of financial position. Certificates of deposit held for investment are included in investments and are recorded at cost plus accrued interest, which approximates fair value. All interest, dividends and realized and unrealized gains and losses are reported in the statements of activities as investment income and increases or decreases in net assets without donor restrictions unless their use is time, purpose or restricted in perpetuity by explicit donor stipulations or by law in the reporting period in which the income and gains are recognized.

##### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. The Alliance's policy is to capitalize property and equipment purchases in excess of \$5,000. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed as costs are incurred.

The Alliance continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with U.S. GAAP based on management's opinion.

##### **Public Support and Revenue Recognition**

Contributions are recognized as revenue when received or when the donor makes a promise to give to the Alliance that is, in substance, unconditional. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. There are no unconditional promises to give.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied. There are no conditional promises to give.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Alliance recognizes revenue from fee for service contracts in the period in which the service is provided.

Client fees and seminar fees revenue are recognized when earned. Membership fees revenue is recognized when received.

# BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### **B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Public Support and Revenue Recognition (Continued)**

The Alliance accounts for federal and state grant awards and financial assistance as cost reimbursement contracts in accordance with the contract (award) in the statements of activities. Reimbursement of expenses under cost reimbursement contracts are recognized to the extent that expenses have been incurred for the purpose specified by the grantor during the period. Funds received in advance of their use are classified as refundable advances until expended.

#### **In-kind Contributions**

Donated equipment is recorded as contributions at estimated fair value when an unconditional commitment is received from the donor. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received. Many individuals volunteer their time and perform a variety of tasks that assist the Alliance. Any volunteer time not meeting the preceding criteria for recognition has not been reflected in the financial statements.

#### **Income Taxes**

The Alliance has received a determination from the Internal Revenue Service that it is exempt under Section 501(c)(3) of the Internal Revenue Code. In addition, the Alliance is exempt from income tax under applicable state law. Income generated by activities that would be considered unrelated to the Alliance's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such tax has been recorded for the years ended June 30, 2019 and 2018.

U.S. GAAP requires management to evaluate tax positions taken by the Alliance and recognize a tax liability if the Alliance has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Alliance's tax positions and concluded that the Alliance had taken no uncertain tax positions that require adjustment to the financial statements.

The Alliance did not record any interest or penalties on uncertain tax positions in the accompanying statements of activities for the years ended June 30, 2019 and 2018. If the Alliance were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

#### **Functional Allocation of Expenses**

There are various funding sources providing support towards the Alliance's programs, and some of the expenses charged to the programs represent direct expenses related to the program operations and objectives. Certain operating expenses have been allocated to program services based on the reasonable benefit that the program derived from these expenses.

## BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Functional Allocation of Expenses (Continued)

Program expenses are those related to operation of the following program services:

- Community Services – Multifaceted program that provides support services, information and resources, education and advocacy relating to brain injury.
- TREK – Residential camp program providing a week of independence, recreation and socialization for adults with brain injury and a week of respite for their caregivers.
- Traffic Safety & Prevention – Consists of multimedia transportation safety awareness campaign funded by the New Jersey Division of Highway Traffic Safety and motorcycle and pedestrian safety programs aimed at developing and implementing the share road with motorcycle awareness messaging and education of the general public, particularly children and teens.
- Family Support – Support groups that allow persons with brain injuries and their family members to meet others in similar situations and gain valuable emotional support, form friendships, obtain information, and discuss a variety of brain injury topics. There are 20 Alliance-affiliated support groupings in New Jersey serving 17 counties.
- TBI Fund – Coordinated activities to provide public information and prevention education about brain injury.
- Support Coordination – Support service that provides care coordination services to families of individuals with developmental disabilities, including brain injuries, living in the community.
- CARES – Program developed to support individuals and families impacted by brain injury which focusing on collaboration to assess current needs and development of a plan to help achieve those individuals achieve their greatest potential and increase quality of life.

Fundraising includes the direct costs of special events. The allocation of salaries and other costs are based on methods considered by management to be reasonable.

##### Subsequent Events

Management has evaluated subsequent events for potential recognition and disclosure through October 30, 2019, the date the financial statements were available to be issued.

##### Recently Adopted Accounting Pronouncement

The Alliance has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019, with retrospective application for the 2018 financial statements. The Alliance has communicated qualitative and quantitative information on how it manages its liquid resources available to meet the cash flow needs for general expenditures within one year of the statement of financial position date, including disclosure of the availability of financial assets at the statement of financial position date. Operating expenses are presented in their natural and functional classifications in the statements of functional expenses, and investment expenses are netted against investment return in the statements of activities. In addition, the Alliance changed its presentation of its net assets classes and expanded the footnote disclosures as required by the ASU.

## BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Recent Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments assist entities in 1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and 2) determining whether a contribution is conditional. ASU 2018-08 requires that the Alliance apply this amendment for contributions received in which the Alliance serves as the resource recipient for the year ending June 30, 2020, and for contributions made in which the Alliance serves as the resource provider for the year ending June 30, 2021. The Alliance is currently evaluating the effect that the new standard will have on its financial statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the cash flow classification and presentation of changes in restricted cash or restricted cash equivalents. ASU 2016-18 will be effective for the Alliance for the year ending June 30, 2020. The Alliance is currently evaluating the effect that the new standard will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring an entity (lessee) that leases assets for a term exceeding a one-year period to recognize a right-of-use asset and corresponding lease liability on the statement of financial position. ASU 2016-02 will result in lessees recognizing right-of-use assets and lease liabilities for most leases currently accounted for as operating leases under the legacy lease accounting guidance. ASU 2016-02 introduces limited changes to the lessor accounting model, none of which rise to the same level of significance as the changes made to the lessee accounting model. ASU 2016-02 also requires entities to disclose in the footnotes to their financial statements information about the amount, timing and uncertainty for the payments they make for lease agreements. ASU 2016-02 will be effective for the Alliance for the year ending June 30, 2021. The Alliance is currently evaluating the effect that the new standard will have on its financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) – Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year. The updated standard will be effective for the Alliance for the year ending June 30, 2020. The Alliance has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

## BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.

### NOTES TO FINANCIAL STATEMENTS

#### C. AVAILABILITY AND LIQUIDITY

The following table reflects the Alliance's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year of the statement of financial position date.

Cash and cash equivalents	\$ 536,043
Investments	751,014
Accounts receivable	69,993
Grants receivable	141,184
Less: board designated reserve	(148,000)
Less: net assets with donor restrictions	<u>(84,812)</u>
Total	<u>\$ 1,265,422</u>

The Alliance maintains a policy of structuring its financial assets to be available as its general expenditures come due. The Alliance invests cash in excess of operating expense requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to a board designated reserve, which can be accessed for general expenditures pending board approval.

#### D. INVESTMENTS

Investments at June 30, 2019 and 2018, are as follows:

	<u>June 30, 2019</u>	
	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 11,175	\$ 11,175
Certificate of deposit	10,116	10,116
Mutual funds	460,415	493,633
Pooled investments	<u>205,224</u>	<u>236,090</u>
	<u>\$ 686,930</u>	<u>\$ 751,014</u>
	<u>June 30, 2018</u>	
	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 5,540	\$ 5,540
Mutual funds	459,991	475,854
Pooled investments	<u>214,115</u>	<u>222,586</u>
	<u>\$ 679,646</u>	<u>\$ 703,980</u>

#### E. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Alliance uses various methods including market, income and cost approaches. Based on these approaches, the Alliance often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Alliance utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

## BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### E. FAIR VALUE MEASUREMENT (CONTINUED)

Based on the observability of the inputs used in the valuation techniques the Alliance is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1 — Quoted prices for identical assets and liabilities traded in active exchange markets.
- Level 2 — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.
- Level 3 — Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While the Alliance believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

During the years ended June 30, 2019 and 2018, there were no changes to the Alliance's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

The following is a description of the valuation methodologies used for instruments measured at fair value:

*Certificates of Deposit* – The fair value of certificates of deposit is the cost plus accrued interest, which approximates fair value.

*Mutual Funds* – The fair value of mutual funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

*Pooled Investments* - Investments are held in pooled funds invested with the Community Foundation of New Jersey (“CFNJ”) and consist of fixed income, equities, real assets and funds of funds. As a participant in the pooled funds, the Alliance’s ownership interest is based on the allocation of the fair value of the Alliance’s units to the total fair value of the investment pool. The pool is revalued periodically and income and gains or losses are allocated to the participants based on their units. The change in fair value of pooled funds invested with CFNJ from earnings is included in investment income as net assets without donor restrictions unless the income is restricted by donor or law.



**BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

## NOTES TO FINANCIAL STATEMENTS

**E. FAIR VALUE MEASUREMENT (CONTINUED)**

Assets measured at fair value on a recurring basis as of June 30, 2019 and 2018, are summarized as follows:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash	\$ 11,175	\$ -	\$ -	\$ 11,175
Certificate of deposit	-	10,116	-	10,116
Mutual Funds	493,633	-	-	493,633
Pooled Investments	-	-	236,090	236,090
Total investments	<u>\$ 504,808</u>	<u>\$ 10,116</u>	<u>\$ 236,090</u>	<u>\$ 751,014</u>

  

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash	\$ 5,540	\$ -	\$ -	\$ 5,540
Mutual Funds	475,854	-	-	475,854
Pooled Investments	-	-	222,586	222,586
Total investments	<u>\$ 481,394</u>	<u>\$ -</u>	<u>\$ 222,586</u>	<u>\$ 703,980</u>

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 assets):

	Years Ended June 30,	
	2019	2018
Fair value, beginning of year	<u>\$ 222,586</u>	<u>\$ 200,814</u>
Investment activity		
Investment income, net of fees	13,504	11,772
Purchases	-	10,000
Total	<u>13,504</u>	<u>21,772</u>
Fair value, end of year	<u>\$ 236,090</u>	<u>\$ 222,586</u>

The investment income, net of fees presented in the table above includes various components of investment activity such as interest and dividends, and realized and unrealized gains and losses. Since the Alliance does not own the individual investments that generate investment income, but rather owns units of a pooled fund, these components of the net investment income are not reported in the table above.

**F. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30, 2019 and 2018:

Assets	Estimated Useful Life (Years)	June 30,	
		2019	2018
Furniture and Equipment	5 to 10	\$ 91,531	\$ 91,531
Software	3	22,500	22,500
Less: accumulated depreciation		(106,531)	(99,031)
Total		<u>\$ 7,500</u>	<u>\$ 15,000</u>

## BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.

### NOTES TO FINANCIAL STATEMENTS

#### G. NET ASSETS

##### Without Donor Restrictions

The Alliance's board of trustees has chosen to place the following limitations on net assets without donor restrictions:

	June 30,	
	2019	2018
Designated for reserve	<u>\$ 148,000</u>	<u>\$ 148,000</u>

##### With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	June 30,	
	2019	2018
Camp TREK	\$ 3,066	\$ 32,678
Facility renovations, furniture and equipment	10,000	10,000
Recreation and support	22,616	23,609
Prevention	<u>49,130</u>	<u>23,393</u>
Total	<u>\$ 84,812</u>	<u>\$ 89,680</u>

Net assets were released from donor restrictions as follows:

	Year Ended June 30,	
	2019	2018
Purpose restriction accomplished:		
Expense incurred to satisfy donor restrictions	<u>\$ 142,666</u>	<u>\$ 166,718</u>

#### H. ADVERTISING

The Alliance uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising expense was \$113,067 and \$67,394 for the years ended June 30, 2019 and 2018, respectively.

#### I. RETIREMENT PLAN

The Alliance sponsors an employee savings plan (401(k) retirement plan) whereby eligible participating employees may elect to contribute a portion of their eligible salary on a pre-tax basis, not to exceed federal tax law limitations. The Alliance matches 100% of the first 3% of employees' contributions and 50% of the next 2% of employees' contributions. Retirement plan contributions for the years ended June 30, 2019 and 2018, totaled \$49,485 and \$56,789, respectively.

#### J. OPERATING LEASE COMMITMENT

The Alliance leases office space under a noncancelable operating lease that expires on February 29, 2020. Future minimum lease payments under this lease as of June 30, 2019 are \$77,168.

Base rental expense under this lease totaled \$101,377 and \$100,620 for the years ended June 30, 2019 and 2018, respectively.

## **BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **K. CONCENTRATION OF RISK AND UNCERTAINTIES**

The Alliance maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Alliance has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk due to failure of the institutions.

The Alliance's investments are invested with the CFNJ. The fair values reported in the statements of financial position are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Approximately 54% and 56% of the funding for the Alliance came from federal grants and state financial assistance during the years ended June 30, 2019 and 2018, respectively, and approximately 24% and 20% of the funding for the Alliance came from a state contract during the years ended June 30, 2019 and 2018, respectively. This funding is dependent upon monies from federal and state social services programs. Accordingly, there is no guarantee that such funding will continue. Financial awards from federal and state governmental entities in the form of grants are subject to audit and could result in claims against the Alliance for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

#### **L. RELATED PARTY**

The Alliance is a member of the USBIA. Fees paid to the USBIA were \$5,570 and \$5,464 for the years ended June 30, 2019 and 2018, respectively.

## **SUPPLEMENTARY INFORMATION**

**BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Program Grant Period	Fiscal Year Expenditures
U.S. Department of Transportation				
Passed through New Jersey Department of Law and Public Safety Division of Highway Traffic Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	80-665-7177	10/1/17-9/30/18	\$ 92,121
State and Community Highway Safety	20.600	80-665-7177	10/1/18-9/30/19	226,231
National Priority Safety Programs	20.616	80-665-7177	10/1/17-9/30/18	46,253
National Priority Safety Programs	20.616	80-665-7177	10/1/18-9/30/19	<u>95,722</u>
U.S. Department of Transportation and Highway Safety Cluster				<u>460,327</u>
Subtotal				
Total Expenditures of Federal Awards				<u>\$ 460,327</u>

The accompanying notes to the schedules of expenditures of federal awards and state financial assistance are an integral part of this schedule.

**BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2019

State Grantor Department and Program Title/Name	State Grant Award or Account Number	Program Amount (Funds Received)	Grant Award Period	Fiscal Year Grant Expenditures	Total to Date Grant Expenditures
New Jersey Department of Human Services					
Division of Disability Services					
Traumatic Brain Injury Fund	100-054-7545-022	\$ 750,000	7/1/18-6/30/19	\$ 747,976	\$ 747,976
Community Services	100-054-7545-022	<u>140,000</u>	7/1/18-6/30/19	<u>140,000</u>	<u>140,000</u>
		<u>890,000</u>		<u>887,976</u>	<u>887,976</u>
New Jersey Department of Children and Families					
Division of Children's System of Care					
Family Support	100-016-1620-009	<u>290,393</u>	7/1/18-6/30/19	<u>280,787</u>	<u>280,787</u>
		<u>290,393</u>		<u>280,787</u>	<u>280,787</u>
Total		<u>\$ 1,180,393</u>		<u>\$ 1,168,763</u>	<u>\$ 1,168,763</u>

The accompanying notes to the schedules of expenditures of federal awards and state financial assistance are an integral part of this schedule.

**BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

NOTES TO THE SCHEDULES OF EXPENDITURES  
OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2019

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*Note 1. Basis of Presentation*

The accompanying schedules of expenditures of federal awards and state financial assistance (the "Schedules") include the federal award and state financial assistance activity of the Alliance under programs of the federal and state government for the year ended June 30, 2019. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("*Uniform Guidance*") and State of New Jersey, Circular Letter 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (the "Circular"). Because the Schedules present only a selected portion of the operations of the Alliance, they are not intended to and do not present the financial position, change in net assets, or cash flows of the Alliance.

*Note 2. Summary of Significant Accounting Policies*

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance; the State of New Jersey, Department of Human Services Cost Reimbursement Manual; and the State of New Jersey, Department of Children and Families Cost Reimbursement Manual, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

*Note 3. Indirect Cost Rate*

The Alliance has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

*Note 4. Reconciliation of Government Grants to Schedule*

Grants and contracts revenue per audit	\$ 2,301,531
Support Coordination Program	<u>(707,054)</u>
Adjusted grant revenue per audit	<u>\$ 1,594,477</u>
Expenses per Schedules	
Federal awards	\$ 460,327
State financial assistance	1,168,763
Indirect costs not billed to grantor	<u>(34,613)</u>
Adjusted expenses per schedules	<u>\$ 1,594,477</u>
Variance	<u><u>\$ -</u></u>

**BRAIN INJURY ALLIANCE OF NEW JERSEY, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2019

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**State Financial Assistance**

Internal control over major program:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified? \_\_\_\_\_ Yes   X   None Reported

Type of auditors' report issued on compliance for major state programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with State of New Jersey Circular Letter 15-08-OMB? \_\_\_\_\_ Yes   X   No

Identification of major program:

State Grant Award or Account Number

Name of State Program

100-054-7545-022

New Jersey Department of Human Services, Division of Disability Services, Traumatic Brain Injury Fund and Community Services

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**Section II - Financial Statement Findings**

No matters were reported.

**Section III - Findings and Questioned Costs for State Financial Assistance**

No matters were reported.

**Section IV - Summary of Prior Year Audit Findings**

No matters were reported.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of the  
Brain Injury Alliance of New Jersey, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Brain Injury Alliance of New Jersey, Inc. (the "Alliance"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Alliance's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alliance'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)**

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

*Mercadieu, P.C.*  
*Certified Public Accountants*

October 30, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CIRCULAR.**

To the Board of Trustees of the  
Brain Injury Alliance of New Jersey, Inc.

**Report on Compliance for Each Major State Program**

We have audited Brain Injury Alliance of New Jersey, Inc.'s (the "Alliance") compliance with the types of compliance requirements described in the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on the Alliance's major state program for the year ended June 30, 2019. The Alliance's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the Alliance's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of State of New Jersey Circular Letter 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* (the "Circular"). Those standards and the Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about the Alliance's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination on the Alliance's compliance.

**Opinion on the Major State Program**

In our opinion, the Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2019.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CIRCULAR  
(CONTINUED)**

**Report on Internal Control Over Compliance**

Management of the Alliance is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Alliance's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state program, and to test and report on internal control over compliance in accordance with the Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Alliance's 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 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 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Circular. Accordingly, this report is not suitable for any other purpose.

*Mercadieu, P.C.*  
*Certified Public Accountants*

October 30, 2019