

**EXPONENTS, INC.
AND SUBSIDIARY**

**Consolidated Financial Statements
and
Supplementary Information
For the Years Ended
June 30, 2020
and
June 30, 2019**

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Independent Auditor's Report

To the Board of Directors of
Exponents, Inc.

We have audited the accompanying consolidated financial statements of Exponents, Inc. and Subsidiary (collectively, the "Agency") which comprise the consolidated statement of financial position as of June 30, 2020 and June 30, 2019 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to in the first paragraph on the previous page present fairly, in all material respects, the financial position of Exponents, Inc. and Subsidiary as of June 30, 2020 and June 30, 2019 and the results of their activities and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2021 on our consideration of the Agency'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 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 Agency's internal control over financial reporting and compliance.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Cordal O'Meara McIntyre & Donnelly LLP

January 17, 2021

EXPONENTS, INC. AND SUBSIDIARY
Consolidated Statement of Financial Position

Assets

	June 30	
	2020	2019
Current assets		
Cash and cash equivalents	\$ 925,517	\$ 648,940
Investments, at fair value	2,171,762	2,113,238
Grants and accounts receivable	749,958	597,693
Prepaid expenses and advances	44,338	72,905
Total current assets	3,891,575	3,432,776
Property and equipment, net	325,597	366,297
Security deposit	182,594	182,594
Total assets	\$4,399,766	\$3,981,667

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 188,051	\$ 185,310
Unearned revenue	71,781	59,345
Total current liabilities	259,832	244,655
Deferred rent	304,469	168,140
Loan payable	396,700	-
Total liabilities	961,001	412,795
Net assets		
Without donor restrictions	3,416,719	3,564,262
With donor restrictions	22,046	4,610
Total net assets	3,438,765	3,568,872
Total liabilities and net assets	\$4,399,766	\$3,981,667

See notes to consolidated financial statements.

EXPONENTS, INC. AND SUBSIDIARY

**Consolidated Statement of Functional Expenses
June 30, 2020**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel				
Salaries and wages	\$ 1,751,246	\$ 389,882	\$ 31,050	\$ 2,172,178
Payroll taxes	191,853	40,899	3,246	235,998
Employee benefits	<u>319,345</u>	<u>39,147</u>	<u>3,294</u>	<u>361,786</u>
Total personnel	<u>2,262,444</u>	<u>469,928</u>	<u>37,590</u>	<u>2,769,962</u>
Other				
Advertising	35,190	95	190	35,475
Printing	4,033	293	470	4,796
Supplies and materials	156,112	7,181	2,245	165,538
Travel and conferences	28,087	11,751	730	40,568
Client transportation	54,021	91	-	54,112
Other client expenses	30,593	1,947	-	32,540
Peer stipends	109,434	24,695	-	134,129
Consultants	154,756	26,018	44,500	225,274
Professional fees	174,581	3,621	41,993	220,195
Rent	817,331	129,625	-	946,956
Utilities	51,240	7,468	-	58,708
Telephone/internet	21,745	8,425	-	30,170
Equipment	54,480	5,969	-	60,449
Payroll and other fees	31,953	14,803	213	46,969
Liability insurance	30,427	4,220	-	34,647
Events	<u>1,014</u>	<u>10,200</u>	<u>41,382</u>	<u>52,596</u>
Total other	<u>1,754,997</u>	<u>256,402</u>	<u>131,723</u>	<u>2,143,122</u>
Depreciation and amortization	<u>-</u>	<u>40,700</u>	<u>-</u>	<u>40,700</u>
Total	<u>\$ 4,017,441</u>	<u>\$ 767,030</u>	<u>\$ 169,313</u>	<u>\$ 4,953,784</u>

See notes to consolidated financial statements.

EXPONENTS, INC. AND SUBSIDIARY

**Consolidated Statement of Functional Expenses
June 30, 2019**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel				
Salaries and wages	\$ 1,670,530	\$ 385,690	\$ 84,959	\$ 2,141,179
Payroll taxes	187,354	40,533	8,920	236,807
Employee benefits	<u>318,144</u>	<u>39,676</u>	<u>8,731</u>	<u>366,551</u>
Total personnel	<u>2,176,028</u>	<u>465,899</u>	<u>102,610</u>	<u>2,744,537</u>
Other				
Advertising	4,066	372	-	4,438
Printing	4,353	1,215	701	6,269
Supplies and materials	165,886	16,849	839	183,574
Travel and conferences	17,939	9,184	4,987	32,110
Client transportation	69,187	-	-	69,187
Other client expenses	40,435	3,713	-	44,148
Peer stipends	114,223	34,135	-	148,358
Consultants	101,909	540	-	102,449
Professional fees	139,376	5,874	45,211	190,461
Occupancy	767,508	158,170	-	925,678
Utilities	23,960	4,766	-	28,726
Telephone/internet	9,330	9,915	-	19,245
Equipment	43,765	6,917	-	50,682
Payroll and other fees	72,961	29,156	3,216	105,333
Liability insurance	28,625	5,002	-	33,627
Moving expense	-	199,661	-	199,661
Bad debt	-	35,002	-	35,002
Other	<u>5,428</u>	<u>3,672</u>	<u>52,998</u>	<u>62,098</u>
Total other	<u>1,608,951</u>	<u>524,143</u>	<u>107,952</u>	<u>2,241,046</u>
Depreciation and amortization	<u>-</u>	<u>44,579</u>	<u>-</u>	<u>44,579</u>
Total	<u>\$ 3,784,979</u>	<u>\$ 1,034,621</u>	<u>\$ 210,562</u>	<u>\$ 5,030,162</u>

See notes to consolidated financial statements.

EXONENTS, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
(Decrease) in net assets	\$ (130,107)	\$ (582,701)
Adjustments to reconcile (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	40,700	44,579
Donated investments	(13,667)	-
Realized and unrealized (gain) loss on investments	41,479	(30,228)
Loss on disposal of leasehold improvements	-	37,060
(Increase) decrease in assets		
Grants and accounts receivable	(152,265)	2,607,021
Prepaid expenses and advances	28,567	150,254
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	2,741	(123,888)
Unearned revenue	12,436	(110,811)
Change in deferred rent	<u>136,329</u>	<u>(5,963)</u>
Net cash provided by (used in) operating activities	<u>(33,787)</u>	<u>1,985,323</u>
Cash flows from investing activities		
Purchases of investments	(1,200,277)	(2,109,349)
Proceeds from sale of investments	<u>1,113,941</u>	<u>83,949</u>
Net cash (used in) investment activities	<u>(86,336)</u>	<u>(2,025,400)</u>
Cash flows from financing activities		
Proceeds from line of credit	461,460	887,289
Repayment of line of credit	(461,460)	(987,340)
Proceeds from loan payable	<u>396,700</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>396,700</u>	<u>(100,051)</u>
Net increase (decrease) in cash and cash equivalents	276,577	(140,128)
Cash and cash equivalents, beginning of year	<u>648,940</u>	<u>789,068</u>
Cash and cash equivalents, end of year	<u>\$ 925,517</u>	<u>\$ 648,940</u>

See notes to consolidated financial statements.

EXPONENTS, INC. AND SUBSIDIARY**Notes to Consolidated Financial Statements
June 30, 2020 and June 30, 2019****Note 1 – Nature of organization**

Exponents, Inc. is organized under the not-for-profit corporation law of the State of New York. Founded in 1990, Exponents, Inc. is a not-for-profit, minority-led organization dedicated to improving the quality of life of individuals affected by drug addiction, incarceration, and HIV/AIDS. Serving clients from the New York City area, programs assist individuals and their families through difficult transitions from addiction to recovery, from incarceration to civilian life, and from welfare to work. Exponents, Inc.'s support comes primarily from contractual services provided under grant contracts with governmental social service agencies and contributions from the public.

Exponents Center for Personal and Professional Development, Inc. ("ECPPD"), was a wholly-owned subsidiary of Exponents, Inc. formed in May 2011 and commenced operations in July 2011. As of June 30, 2019, the activities of ECPPD have ceased with all assets and liabilities liquidated. ECPPD is awaiting formal dissolution approval from the State of New York.

Program descriptions**Treatment and Recovery**

Exponents treatment and recovery services begins with recovery for individuals still incarcerated as well as those re-entering society. Exponents provides a wide range of treatment and self-care services that help assist these individuals through a healthy transition. Outpatient Chemical Dependence Treatment - In its medically supervised OASAS licensed program, they take a client centered approach to managing addiction. Exponents offers both intensive and non-intensive outpatient services to diverse population with an array of tailored individual and group services including criminal justice, parenting and LGBT specific programming.

Peer recovery support and recovery coaching are embedded throughout agency programming including its SAMHSA funded ASPIRE program which provides targeted HIV and substance abuse prevention and counseling to highrisk LGBT populations.

Harm Reduction Programming includes individual and group counseling sessions for large groups meeting 3 times per week. The majority of clients are active drug users and living with HIV. This eight-week initiative provides students with invaluable self-management tools to successfully monitor and seek ongoing HIV-related treatment while assisting in them to identify substance use and mental health challenges (e.g. depression, anxiety, isolation).

Educational and Vocational

GED Training - Certified instructors provide assistance with vocational assessment, TASC exam preparation and ongoing educational/vocational counseling.

Vocational Services include a multi-sessioned job readiness and retention program which provides skills-building in the areas of resume writing, interviewing, tracking job search and soft skills which increase sustained employment.

EXPONENTS, INC. AND SUBSIDIARY**Notes to Consolidated Financial Statements (continued)
June 30, 2020 and June 30, 2019****Note 1 – Nature of organization (continued)**Educational and Vocational (continued)

Credentialed Alcoholism and Substance Abuse Counselor trainings (CASAC) are provided on a full time (5 month) and part-time (7 month) schedule. Classes are available in both daytime and evening hours. Center staff assists with internship/job placement and exam preparation.

Recovery Coach training gives participants tools and resources useful in providing recovery support services and emphasizes the skills needed to link people in recovery to needed supports within the community. Utilizing a 40 hour OASAS-approved curricula, the training is offered several times a year.

Health Screening & Testing

Exponents also conducts HIV rapid and confirmatory testing and Hepatitis C screening utilizing the latest diagnostic technology available both on-site and at high-risk locations city –wide on a mobile testing unit.

Note 2 – Summary of significant accounting policiesFinancial statement presentation

The accompanying consolidated financial statements include the accounts of Exponents, Inc. and ECPPD (collectively, the “Agency”). All material intercompany accounts have been eliminated in consolidation.

Net assets

The Agency reports information regarding its financial position and activities in two classes of net assets as follows:

- Net assets without donor restrictions consist of amounts that can be spent at the discretion of the Agency.
- Net assets with donor restrictions consist of contributions that are restricted by the donors for a specific purpose or relate to future periods.

Cash equivalents

The Agency considers highly liquid assets with an original maturity of 90 days or less to be cash equivalents.

EXPONENTS, INC. AND SUBSIDIARY**Notes to Consolidated Financial Statements (continued)
June 30, 2020 and June 30, 2019****Note 2 – Summary of significant accounting policies (continued)**Grants and accounts receivable

Grants and accounts receivable consist of claims for reimbursement from New York City and State social service agencies and claims for administrative services provided to individuals who have enrolled in home health care networks. Grants and accounts receivable also consist of Medicaid receivables from billings for treatment of Medicaid-approved program participants.

Allowance for doubtful accounts

The Agency deems its receivables to be collectible and thus has not provided for an allowance for doubtful accounts for any potentially uncollectible receivables. Such an estimate is based on management experience, the aging of the receivables, subsequent receipts and current economic conditions.

Property and equipment

Expenditures for property and equipment above \$1,000 and with an estimated useful life greater than one year are recorded at cost. Furniture, fixtures and equipment are being depreciated on the straight-line method over the estimated useful lives of the assets ranging from three to seven years. Leasehold improvements are being amortized over the life of the lease.

Allocation of expenses

The costs of providing the various programs have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefitted. Expenses attributable to more than one functional category are allocated based on time and effort reporting.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from these estimates.

EXPONENTS, INC. AND SUBSIDIARY**Notes to Consolidated Financial Statements (continued)
June 30, 2020 and June 30, 2019****Note 2 – Summary of significant accounting policies (continued)****Concentrations of credit risk**

The Agency's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables. The Agency places its cash and cash equivalents with what it believes to be quality financial institutions and the Agency has not incurred any losses in such accounts to date. Investments are exposed to various risks such as interest rates, market volatility, liquidity and credit. Due to the level of uncertainty related to these risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the consolidated statement of financial position at June 30, 2020. The Agency routinely monitors the collectability of its receivables. As a consequence, concentrations of credit risk with respect to cash, cash equivalents, investments and receivables are believed to be limited.

Donated services

The Agency receives donated services from volunteers, including board members, who support its programs and activities. No amounts have been reflected in the consolidated financial statements in connection with these services because they do not meet the criteria for recording such services.

Risks and uncertainties

On March 13, 2020, a national emergency was declared due to extraordinary circumstances resulting from the coronavirus. The economic impact of the coronavirus on the Agency's future financial operations is not readily determinable.

Subsequent events

The Agency has evaluated events and transactions for potential recognition or disclosure through January 17, 2021, which is the date the consolidated financial statements were available to be issued.

EXPONENTS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)
June 30, 2020 and June 30, 2019

Note 3 – Liquidity and availability of financial assets

The Agency regularly monitors the availability of resources required to meet its operating needs and other commitments while also striving to maximize the investment of its available funds.

The following is a summary of the Agency's financial assets as of June 30, 2020 and June 30, 2019 that are available for general use within one year of the consolidated statement of financial position date:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 925,517	\$ 648,940
Investments, at fair value	2,171,762	2,113,238
Grants and accounts receivable	<u>749,958</u>	<u>597,693</u>
Total	<u>\$ 3,847,237</u>	<u>\$ 3,359,871</u>

The Agency has available a \$250,000 line of credit (see note 8) that can be drawn upon as necessary.

Note 4 – Investments, at fair value

The Agency's investments are recorded at fair value. The fair value of the investments are based on publicly quoted prices. Investments at June 30, 2020 and June 30, 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Mutual funds – bond funds	<u>\$ 2,171,762</u>	<u>\$ 2,113,238</u>

Fair value measurements

For assets measured at fair value on a recurring basis, accounting standards require quantitative disclosures about the fair value measurement separately for each major category of assets. The Agency's investments are classified in the highest level of the hierarchy (Level 1). Their quoted prices are in an active markets for identical assets.

Note 5 – Grants and accounts receivable

Grants receivable are unconditional promises from external organizations, governmental agencies and individuals. Grants receivable includes amounts to be claimed from grantors for accrued, reimbursable program costs and fixed fees for services. Accounts receivable include amounts due for training fees, individual home care services and Medicaid.

Funding contracts are often subject to audit by the applicable granting agencies. The possible disallowances by the granting agencies of any item charged to the program cannot be determined until such time when and if an audit occurs. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying consolidated financial statements. Management is of the opinion that any potential disallowances will not be material to the accompanying consolidated financial statements.

EXPONENTS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)
June 30, 2020 and June 30, 2019

Note 6 – Property and equipment

Property and equipment consists of the following:

	June 30	
	2020	2019
Furniture, fixtures and equipment	\$ 380,758	\$ 380,758
Leasehold improvements	406,999	406,999
Sub-total	787,757	787,757
Less: accumulated depreciation and amortization	462,160	421,460
Total	\$ 325,597	\$ 366,297

During 2019, the Agency wrote off leasehold improvements with a cost basis of \$58,209 and accumulated amortization of \$21,149, resulting in a loss on disposal of \$37,060.

Note 7 – Lease agreement

During June 2013, the Agency entered into a 15-year lease agreement expiring January 2029. In connection with this lease, the Agency has \$182,594 as security with the landlord. In May 2018, the Agency and the landlord entered into a termination and surrender agreement whereby the lease was terminated and the Agency entered into a lease for new office space expiring January 2029. The lease required annual payments of \$730,553 in the first year increasing annually to \$1,024,737 in the final year of the agreement. In consideration of the Agency vacating and surrendering the previous office space, the Agency agreed to a \$2,500,000 termination fee which was recorded as an account receivable at June 30, 2018 and paid in August 2019. As part of the new lease agreement, the landlord agreed to reimburse the Agency up to \$900,000 for certain costs and expenses related to moving to the new office space. During 2018, the Agency capitalized \$406,997, respectively, of the reimbursement as property and equipment with its new office space. Rent expense is being recognized based on a pro-rata share of the total rent to be paid over the term of the lease, and accordingly, the Agency has recorded a deferred rent balance on the consolidated statement of financial position which is being amortized over the life of the lease as a reduction of rent expense.

For the 2020 and 2019 fiscal years, rent expense under this agreement totaled \$811,580 and \$745,311, respectively.

EXPONENTS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)
June 30, 2020 and June 30, 2019

Note 7 – Lease agreement (continued)

The future minimum annual payments required under the lease agreements are as follows:

<u>Fiscal year</u>	
2021	\$ 823,655
2022	844,248
2023	865,356
2024	898,893
2025	938,031
2026 and thereafter	<u>4,579,670</u>
Total	<u>\$ 8,949,853</u>

Note 8 – Line of credit

The Agency has available a revolving line of credit for \$250,000. Borrowings, which are secured by the Agency's personal property, on the line bear interest at the prime rate plus .15% per annum. At June 30, 2020 and June 30, 2019, there were no outstanding balances on the line.

Note 9 – Loan payable

During 2020, the Agency applied for and received \$396,700 under the Paycheck Protection Program ("PPP") which is a business loan program established under the Coronavirus Aid, Relief, and Economic Security Act. The Agency has elected to record the proceeds as a liability until the loan is, in part or wholly, forgiven and the Agency is legally released. The Agency believes it has spent all of the proceeds in accordance with the terms of PPP loan program and expects to have the loan and any accrued interest forgiven in their entirety during the 2021 fiscal year. Any amounts not forgiven are subject to interest at a fixed rate of 1% for a two year-term.

Note 10 – Retirement plans

Defined contribution profit-sharing plan

The Agency has a non-contributory, profit-sharing plan to which it contributes 3% of an eligible employee's salary through August 2015. Effective September 2015, the Agency no longer contributes to the plan.

In addition, the Agency maintains a 403(b) plan. Eligible employees may make voluntary contributions to the plan up to the maximum allowed under the Internal Revenue Code. The Agency may make discretionary contributions to the plan, as outlined in the agreement. The plan expense for the 2020 and 2019 fiscal years totaled \$51,263 and \$43,980, respectively.

EXPONENTS, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements (continued)
June 30, 2020 and June 30, 2019

Note 11 – Net assets with donor restrictions

The following is a summary of the net assets with donor restrictions for the years ended June 30, 2020 and June 30, 2019:

	2020			
	Balance, June 30, 2019	Additions	Net Assets Released from Restriction	Balance at June 30, 2020
Nutrition	\$ 4,610	\$ 84,948	\$ (67,512)	\$ 22,046
	2019			
	Balance, June 30, 2018	Additions	Net Assets Released from Restriction	Balance at June 30, 2019
Nutrition	\$ 4,843	\$ 20,000	\$ (20,233)	\$ 4,610
Travel allowance	-	24,213	(24,213)	-
Total	\$ 4,843	\$ 44,213	\$ (44,446)	\$ 4,610

Note 12 – Tax status

Exponents, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, Exponents, Inc. has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation under the meaning of Section 509(a) of the Code.

**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***

To the Board of Directors of
Exponents, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Exponents, Inc. and Subsidiary (the "Agency") which comprise the consolidated statement of financial position as of June 30, 2020 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our reports thereon dated January 17, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's consolidated 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 Agency's consolidated 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*.

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

Cordwain O'Meara, McIntyre & Donnelly LLP

January 17, 2021

**Independent Auditor's Report on
Compliance for Each Major Program and on
Internal Control Over Compliance as Required
by the Uniform Guidance**

To the Board of Directors of
Exponents, Inc.

**CONDON
O'MEARA
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Report on Compliance for Each Major Federal Program

We have audited Exponents, Inc.'s (the "Agency") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2020. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency'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 types of compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 federal 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cordal O'Meara McGinty + Donnelly LLP

January 17, 2021

EXPONENTS, INC.

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

<u>Federal Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Contract Award Number</u>	<u>Total Expenditures</u>
United States Department of Health and Human Services:			
Passed through:			
Public Health Solutions – Harm Reduction Services	93.914	16-HRM-643	\$ 498,998
Research Foundation for Mental Hygeine- NYS OASAS SOR	93.788	6H79TI081718-01-M001	536,752
Research Foundation for Mental Hygeine- NYS OASAS OUD		1H79SP082197	75,000
Office of Alcoholism and Substance Abuse Services			
Early Intervention Service	93.959	OAS01-C004216-3670000	300,485
Substance Abuse and Mental Health Services Administration:			
HIV and Substance Use Prevention for Youth in NYC	93.243	1H79SP021800-01	268,127
Peer Recovery Support	93.243	1H79TI026583-01	257,615
MAT Services in NYC	93.243	6H79TI081453-01M001	366,368
Center for Disease Control and Prevention	93.939	1U65PS002665	<u>346,462</u>
Total expenditures of federal awards			<u>\$ 2,649,807</u>

EXPONENTS, INC.**Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020****1. General information**

The accompanying schedule of expenditures of federal awards presents the activities in all the federal programs of the Agency. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or nonprofit agencies are included on the schedule.

2. Basis of accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. Relationship to consolidated financial statements

In certain programs, the expenditures reported in the consolidated financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to capitalization of assets, agency matching or in-kind contributions.

4. Indirect cost rate

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

EXPONENTS, INC.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Section I – Summary of Auditor’s Results**Consolidated Financial Statements**

Type of auditor’s report issued: UNMODIFIED

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ Yes	_____ <input checked="" type="checkbox"/> None Reported

Noncompliance material to financial statements noted? _____ Yes _____ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ <input checked="" type="checkbox"/> None Reported

Type of auditor’s report issued on compliance for major programs: UNMODIFIED

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

CFDA NumberProgram Name

93.243	U.S. Department of Health and Human Services Passed through: Substance Abuse and Mental Health Services Administration: HIV and Substance Use Prevention for Youth in NYC, Peer Recovery Support and MAT Services in NYC
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Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

EXPONENTS, INC.

**Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2020**

Section II – Financial Statement Findings and Questioned Costs

There were not findings for the year ended June 30, 2020.

Section III – Federal Award Findings and Questioned Costs

There were not findings for the year ended June 30, 2020.