New Jersey Reentry Corporation

Financial Report
June 30, 2022

Contents

Independent Auditor's Report

Board of Directors
New Jersey Reentry Corporation

Opinion
We have audited the financial statements of New Jersey Reentry Corporation (the Organization), which comprise the statement of financial position as of June 30, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

Metro Park, New Jersey
March 13, 2023

New Jersey Reentry Corporation

Statement of Financial Position
June 30, 2022

Assets	
Current assets:	
Cash	$ 7,086,408
Grants receivable	74,380
Other receivables	14,142
Prepaid expenses	189,178
Total current assets	7,364,108
Noncurrent assets:	
Furniture and equipment, net	1,420,572
Security deposits	118,436
Total noncurrent assets	1,539,008
Total assets	$ 8,903,116
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	$ 334,086
Grants received in advance	6,029,290
Total current liabilities	6,363,376
Noncurrent liabilities:	
Deferred rent	41,056
Total noncurrent liabilities	41,056
Net assets:	
Without donor restrictions	2,342,572
With donor restrictions	156,112
Total net assets	2,498,684
Total liabilities and net assets	$ 8,903,116

See notes to financial statements.

New Jersey Reentry Corporation

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
State financial assistance and other grant revenue	$ 9,249,349	$ -	$ 9,249,349
Contributions	87,888	70,000	157,888
Contributions of nonfinancial assets	201,487	-	201,487
Release from restrictions	58,888	(58,888)	-
Total revenues	9,597,612	11,112	9,608,724
Expenses:			
Program services	7,416,609	-	7,416,609
Management and general	1,410,387	-	1,410,387
Total expenses	8,826,996	-	8,826,996
Change in net assets	770,616	11,112	781,728
Net assets, beginning of year	1,571,956	145,000	1,716,956
Net assets, end of year	$ 2,342,572	$ 156,112	$ 2,498,684

See notes to financial statements.

New Jersey Reentry Corporation

Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Management and General	Total
Salaries	$ 3,664,302	$ 991,943	$ 4,656,245
Payroll taxes	349,728	95,216	444,944
Employee benefits	310,145	70,748	380,893
Total salaries and benefits	4,324,175	1,157,907	5,482,082
Rent expense	729,711	79,096	808,807
Program transportation	114,327	-	114,327
Participant cost	443,403	191	443,594
Depreciation	394,820	-	394,820
Facility operating costs	208,082	25,739	233,821
Computer expense	59,389	7,445	66,834
Supplies	118,862	12,179	131,041
Consultants	256,610	28,451	285,061
Communication	126,766	16,387	143,153
Insurance	144,887	16,722	161,609
Printing and publication	43,105	4,183	47,288
Professional services	182,495	5,717	188,212
Office furniture and equipment	60,021	5,082	65,103
Maintenance and repairs	29,075	2,491	31,566
Utilities	33,842	4,192	38,034
Meetings and conferences	104,409	2,949	107,358
Travel	26,331	712	27,043
Miscellaneous	16,299	40,944	57,243
Total expenses	$ 7,416,609	$ 1,410,387	$ 8,826,996

See notes to financial statements.

New Jersey Reentry Corporation

Statement of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities:		
Change in net assets	$	781,728
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		394,820
Changes in assets and liabilities:		
Decrease in grants receivable		6,980
Increase in other receivables		(10,696)
Decrease in prepaid expenses		16,141
Increase in security deposits		(46,975)
Increase in payables and accrued expenses		57,205
Increase in grants received in advance		3,675,530
Increase in deferred rent		7,962
Net cash provided by operating activities		4,882,695
Cash flows used in investing activities:		
Purchases of furniture and equipment		(1,125,948)
Net increase in cash		3,756,747
Cash:		
Beginning of year		3,329,661
End of year	$	7,086,408

See notes to financial statements.

Note 1. Nature of Activities

The New Jersey Reentry Corporation (NJRC), a nonprofit corporation, is designed to provide critical services for those persons who have been court-involved. Its purpose is to enroll and provide services, including addiction treatment, sober transitional housing, linkage to health care services, motor vehicle identification, training, employment, and legal support, for individuals with a diagnosed mental health and/or substance use disorder who have been arrested, incarcerated and sentenced through the judicial system.

Description of program and supporting services: The following program and supporting services are included in the accompanying financial statements:

One-stop offender re-entry services: The program is designed to help communities develop and implement comprehensive and collaborative strategies that address the challenges posed by offender reentry and recidivism reduction. The program provides rapid risk/needs assessment, pre-release services, linkage to entitlement and services prior to release, post-release services, ongoing assessment, case management, and implementation of data collection and analysis strategies to better understand the population and impact of the program.

Management and general: Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the NJRC's program strategy, secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration, and manage the financial and budgetary responsibilities of the NJRC.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Cash and cash equivalents: For financial statement purposes, NJRC considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Grants receivable: Grants receivable are stated at the amount management expects to be reimbursed by federal or state funding agencies. Based on analysis of historical collections, no allowance for doubtful accounts was deemed necessary as of June 30, 2022.

Furniture and equipment: NJRC capitalizes all expenditures for property and equipment in excess of $5,000. Furniture and equipment are carried at cost. Depreciation is computed using the straight-line basis over the estimated useful life of the asset.

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition: Unconditional contributions are recognized when received. Grants and contract awards from federal and state agencies are recognized as the related expenses are incurred or specified contract benchmarks are fulfilled by NJRC. Amounts received from grants which have not yet been earned under the terms of the agreement are recorded as grants received in advance in the accompanying financial statements. When a donor or sponsor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Unconditional donor-restricted contributions whose restrictions are met in the same reporting period that the revenue is recognized are reported as without donor restrictions. Conditional contributions are recognized when the barrier has been substantially met. Cash received for conditional contributions in advance of the barrier being substantially met is recognized as a refundable advance.

At June 30, 2022, there is $240,000 in conditional contributions which has not met the barriers to be recognized as revenue. Revenue on these grants will be recognized by NJRC in future periods as the barriers are met.

Contributed nonfinancial assets: Contributed services are recorded at their fair value when such services are rendered. Contributed services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by NJRC. For the year ended June 30, 2022, contributed services relate to legal services for approximately $130,548 and donated goods for approximately $70,939.

NJRC receives donated goods for distribution in their outreach program. Gifts in kind revenue is recognized in circumstances in which NJRC has sufficient discretion over the use and disposition of the items to recognize a contribution. Accordingly, the recognition of gifts in kind revenue is limited to circumstances in which NJRC takes constructive possession of the donated goods and NJRC is the recipient of the gift. Gifts in kind received through donations are valued and recorded as revenue at their fair value at the time the contribution is received. The contributed nonfinancial assets did not have donor-imposed restrictions.

NJRC distributes donated goods as part of its own programs, it reports an expense, which is reported in the functional classification as a program expense. Although it is NJRC’s policy to distribute donated goods as promptly as possible, NJRC may hold some donated goods at year-end. Undistributed donated goods at year-end are reported as inventory. Inventory is valued at the lower of cost or net realizable value (cost is determined as fair value at the date of gift plus any costs incurred). At June 30, 2022, there are no donated goods held in inventory.

Note 2. Summary of Significant Accounting Policies (Continued)

Nonfinancial Asset	2022	Valuation Techniques and Inputs
Legal services	$ 130,548	Contributed services from attorneys are valued at the estimated fair value based on current rate for similar legal services.
Household goods	22,643	The fair value basis was estimated from the retail values that would be received for selling similar products.
Clothing	21,128	
Food	15,246	
Medical supplies	11,922	
	$ 201,487	

Net assets: Net assets, revenues, gains and losses are classified based on the existence and or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-imposed restrictions that are met within the same year are reported as unrestricted contributions.

Net assets with donor restrictions were as follows as of June 30, 2022:

Purpose restricted:	
Aging population legislation	$ 52,779
Women's healthcare	33,333
Retail training	50,000
High school diploma or GED program	20,000
	$ 156,112

Functional expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income tax status: NJRC qualifies as a public charity under Internal Revenue Code (IRC) Section 170(b)(1)(A)(vi) and has been determined by the Internal Revenue Service to be exempt from federal income taxes under Section 501(c)(3) of the IRC. NJRC is subject to federal and state income taxes on unrelated business income, if any.

Note 2. Summary of Significant Accounting Policies (Continued)

NJRC follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. NJRC recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be substantiated on examination by taxing authorities. Management evaluated NJRC's tax positions and concluded NJRC has no material uncertainties in income taxes.

With few exceptions, NJRC is only subject to income tax examinations by the U.S. federal, state or local tax authorities for three years from the filing date. Interest and penalties, if any, are included in income tax expense.

Use of estimates: The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Risks and uncertainties: NJRC maintains its cash balances in one financial institution located in Jersey City, New Jersey. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to $250,000. NJRC's uninsured cash balances totaled $6,836,408 at June 30, 2022. NJRC has not experienced any losses in such accounts.

Recently adopted accounting pronouncements: In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. NJRC has adopted this ASU in the year ended June 30, 2022. The impact to the financial statements includes reporting of contributed nonfinancial assets separately from contributions on the Statement of Activities and an expanded disclosure in Note 2 above.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*, which exempts entities from having to provide the interim disclosures required by ASC 250-10-50-3 in the fiscal year in which a company adopts the new leases standard. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842) Effective Dates for Certain Entities*, which defers the effective date of ASU 2016-02 for NJRC to fiscal years beginning after December 15, 2021. Early adoption is permitted. NJRC is currently evaluating the impact of pending adoption of the new standard on the financial statements.

Subsequent events: NJRC evaluated subsequent events occurring after June 30, 2022, to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation was performed through March 13, 2023, the date the financial statements were available to be issued.

Note 3. Liquidity and Availability of Resources

NJRC prepares detailed budgets to plan financial resources available to run the organization every fiscal year. The strategic plan of NJRC aligns with the budget to maximize the limited resources of the organization. Cash balances are monitored regularly, and reimbursements are requested from grantors regularly to ensure NJRC maintains sufficient funds to meet obligations as they are due.

The following represents NJRC's available financial assets as of June 30, 2022, to meet general expenditures over the next 12 months.

Cash	$ 7,086,408
Grants receivable	74,380
Total financial assets at June 30, 2022	$ 7,160,788

Note 4. Furniture and Equipment

Furniture and equipment as of June 30, 2022, is as follows:

Furniture and equipment:	
Office furniture and equipment	$ 2,118,972
Transportation equipment	223,367
Total furniture and equipment	2,342,339
Less accumulated depreciation	(921,767)
Total furniture and equipment, net	$ 1,420,572

Depreciation on furniture and equipment has been computed on a straight-line basis over estimated useful lives as follows:

	Years
Office furniture and equipment	3
Transportation equipment	5

Depreciation expense was $394,820 for the year ended June 30, 2022.

Note 5. Operating Leases

On February 23, 2016, NJRC entered into a five-year lease for office space located at 310 Main Street, Toms River, New Jersey to provide services in connection with the One-Stop Offender Re-entry Services grant. The annual base rent under the lease is $31,493, escalating 3% per year. On March 1, 2021, this lease was amended to extend the term of the lease by 36 months. The annual base rent is $35,446, escalating 3% per year. The total minimum rental commitment at June 30, 2022, under this lease is $61,944.

Note 5. Operating Leases (Continued)

On November 16, 2016, NJRC entered into a five-year lease for office space located at 9 Basin Drive Unit 190, Kearny, New Jersey in connection with the Community Resource Center grant. A board member owns the company acting as NJRC's landlord on this lease. The annual base rent under the lease is $74,400, escalating 3% per year. On May 1, 2021, this lease was amended to extend the term of the lease by 36 months. The annual base rent under the lease extension is $86,250 escalating 3% per year. The total minimum rental commitment at June 30, 2022, under this lease is $223,464.

On December 22, 2016, NJRC entered into a five-year lease for office space located at 66 Hamilton Avenue Units 201, 202, 203, and 205, Patterson, New Jersey in connection with the One-Stop Offender Re-entry Services grant. The annual base rent under the lease is $69,900, escalating 5% per year. On February 22, 2021, this lease was amended to extend the term of the lease by 5 years. The annual base rent is $83,900. The total minimum rental commitment at June 30, 2022, under this lease is $384,542.

On October 10, 2017, NJRC entered into a five-year lease for office space located at 57 Livingston Avenue, New Brunswick, New Jersey to operate and provide services in connection with the One-Stop Offender Re-entry Services grant. The annual base rent under the lease is $64,049. The total minimum rental commitment at June 30, 2022, under this lease is $21,350. This location will be closing in 2023 to be replaced with the new Carteret location (see Note 8).

On November 6, 2017, NJRC entered into a five-year lease for office space located at 208-214 Commerce Place Elizabeth, New Jersey to operate and provide services in connection with the One-Stop Offender Re-entry Services grant. The annual base rent under the lease is $68,250. The total minimum rental commitment at June 30, 2022, under this lease is $28,816. The location closed on November 30, 2022, and has been replaced by 329-343 N. Broad Street, Elizabeth, New Jersey discussed below.

On November 30, 2017, NJRC entered into a five-year lease for office space located at 39 Hudson Street, Hackensack, New Jersey to operate and provide services in connection with the One-Stop Offender Re-entry Services grant. The annual base rent under the lease is $55,234. The total minimum rental commitment at June 30, 2022, under this lease is $27,617.

On January 23, 2018, NJRC entered into a five-year lease for office space located at 72 Morris Avenue Neptune City, New Jersey to operate and provide services in connection with the One-Stop Offender Re-entry Services grant. The annual base rent under the lease is $65,700, escalating 2% per year after the first two years. The total minimum rental commitment at June 30, 2022, under this lease is $46,933.

On April 1, 2020, NJRC entered into a five-year lease for office space located at 936-938 Bergen Street, Newark, New Jersey to operate and provide services in connection with the One-Stop Offender Re-entry Services grant. The annual base rent under the lease is $84,000, escalating 3% per year after the first two years. The total minimum rental commitment at June 30, 2022, under this lease is $245,795.

On February 24, 2021, NJRC entered into a five-year lease for office space located at 195 Campus Drive, Building 56, Kearney, New Jersey to operate and provide services in connection with the One-Stop Offender Re-entry Services grant and the NJRC Training Center grant. The annual base rent under the lease is $53,815, escalating 3% per year. The total minimum rental commitment at June 30, 2022, under this lease is $213,420.

On August 24, 2020, NJRC entered into a five-year lease for office space located at 591 Summit Avenue, Jersey City, New Jersey to operate and provide services in connection with the One-Stop Offender Re-entry Services grant. The annual base rent under the lease is $150,400, with escalations each year between 1.8% and 8%. The total minimum rental commitment at June 30, 2022, under this lease is $538,095.

Note 5. Operating Leases (Continued)

On June 14, 2022, NJRC entered a ten-year lease for office space located at 329-343 N. Broad Street, Elizabeth, New Jersey to operate and provide services in connection with the One-Stop Offender Re-entry Services grant. The annual base rent under the lease is $15,000. The total minimum rental commitment at June 30, 2022, is $1,800,000.

NJRC recognized rent expense in the amount of $808,807 for the year ended June 30, 2022. Prepaid rent balances for the year ended June 30, 2022, totaled $107,761.

NJRC will be obligated to pay future minimum lease payments under the term of the leases as follows:

Years ending June 30:		
2023	$	756,722
2024		705,452
2025		621,580
2026		304,280
2027		228,942
Thereafter		975,000
	$	3,591,976

NJRC has several noncancelable operating leases, primarily for office copiers and vehicles, with expiration periods from two to three years. Rental expense for those leases consisted of $59,694 for the year ended June 30, 2022.

NJRC will be obligated to pay future minimum lease payments under the term of the leases as follows:

Years ending June 30:		
2023	$	32,712
2024		22,620
2025		6,960
	$	62,292

Note 6. Contingencies

NJRC receives its support from the New Jersey Department of Community Affairs (NJDCA), New Jersey Department of Labor and New Jersey State Parole Board. A significant reduction in the level of this support may have an effect on the NJRC's programs. Grants require the fulfillment of certain conditions as set forth in the grant agreement. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, management deems the contingency remote, since by accepting grants and their terms it has accommodated the objectives of the organization to the provisions of the grant.

Note 7. Functional Allocation of Expenses

Certain expenses are attributable to more than one program or supporting function. Payroll taxes and employee benefits are allocated consistently based on approved budgets and salary allocations. The following expenses are allocated consistently based on salary expenses. Salary expense allocation is supported by the employees' timesheets.

- Occupancy costs
- Supplies, postage, printing and communication expenses
- Insurance
- Professional service costs
- Depreciation expense

Note 8. Subsequent Events

In September 2022, NJRC entered into a lease for office space at 39 Hudson Street, Hackensack, New Jersey. The lease term is January 1, 2023 through December 31, 2027. Monthly rent for the first year is $4,603 with 2% escalations each following year.

In October 2022, NJRC entered into a lease for office space at 762 Roosevelt Avenue, Carteret, New Jersey. The lease term is February 1, 2023 through January 31, 2038. Annual fixed rent for the first year is $36,000, years 2 through 10 is $156,650 and years 11 through 15 is $159,063.