# New Jersey Reentry Corporation

Financial Report
June 30, 2021

**Contents**

**Independent Auditor's Report**

Board of Directors
New Jersey Reentry Corporation

**Report on the Financial Statements**
We have audited the accompanying financial statements of New Jersey Reentry Corporation, which comprise the statement of financial position as of June 30, 2021, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

**Auditor's Responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Jersey Reentry Corporation as of June 30, 2021, 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.

RSM US LLP

Metro Park, New Jersey
March 10, 2022

**New Jersey Reentry Corporation**

**Statement of Financial Position**
**June 30, 2021**

| | |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash | $ 3,329,661 |
| Grants receivable | 81,360 |
| Other receivables | 3,446 |
| Prepaid expenses | 205,319 |
| **Total current assets** | 3,619,786 |
| Noncurrent assets: | |
| Furniture and equipment, net | 689,444 |
| Security deposits | 71,461 |
| **Total noncurrent assets** | 760,905 |
| **Total assets** | $ 4,380,691 |
| **Liabilities and Net Assets** | |
| Current liabilities: | |
| Accounts payable and accrued expenses | $ 276,881 |
| Grants received in advance | 2,353,760 |
| **Total current liabilities** | 2,630,641 |
| Noncurrent liabilities: | |
| Deferred rent | 33,094 |
| **Total noncurrent liabilities** | 33,094 |
| Net assets: | |
| Without donor restrictions | 1,571,956 |
| With donor restrictions | 145,000 |
| **Total net assets** | 1,716,956 |
| **Total liabilities and net assets** | $ 4,380,691 |

See notes to financial statements.

**New Jersey Reentry Corporation**

**Statement of Activities**
**Year Ended June 30, 2021**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Revenues: | | | |
| State financial assistance and other grant revenue | $ 7,249,827 | $ - | $ 7,249,827 |
| Paycheck Protection Program loan forgiveness | 655,427 | - | 655,427 |
| Contributions | 249,050 | 170,000 | 419,050 |
| Release from restrictions | 25,000 | (25,000) | - |
| **Total revenues** | 8,179,304 | 145,000 | 8,324,304 |
| Expenses: | | | |
| Program services | 5,738,520 | - | 5,738,520 |
| Management and general | 1,376,544 | - | 1,376,544 |
| **Total expenses** | 7,115,064 | - | 7,115,064 |
| **Change in net assets** | 1,064,240 | 145,000 | 1,209,240 |
| Net assets, beginning of year | 507,716 | - | 507,716 |
| Net assets, end of year | $ 1,571,956 | $ 145,000 | $ 1,716,956 |

See notes to financial statements.

**New Jersey Reentry Corporation**

**Statement of Functional Expenses**
**Year Ended June 30, 2021**

| | Program Services | Management and General | Total |
|---|---|---|---|
| Salaries | $ 3,007,580 | $ 993,857 | $ 4,001,437 |
| Payroll taxes | 318,025 | 91,009 | 409,034 |
| Employee benefits | 197,581 | 44,632 | 242,213 |
| **Total salaries and benefits** | 3,523,186 | 1,129,498 | 4,652,684 |
| Rent expense | 716,949 | 77,728 | 794,677 |
| Program transportation | 84,053 | - | 84,053 |
| Participant cost | 223,618 | - | 223,618 |
| Depreciation | 154,666 | 18,141 | 172,807 |
| Facility operating costs | 32,577 | 3,065 | 35,642 |
| Computer expense | 91,589 | 21,360 | 112,949 |
| Supplies | 56,172 | 18,769 | 74,941 |
| Consultants | 203,485 | 11,930 | 215,415 |
| Communication | 106,183 | 15,547 | 121,730 |
| Insurance | 103,443 | 15,882 | 119,325 |
| Printing and publication | 73,678 | 11,275 | 84,953 |
| Professional services | 200,681 | 30,062 | 230,743 |
| Office furniture and equipment | 42,533 | 4,303 | 46,836 |
| Maintenance and repairs | 45,317 | 4,281 | 49,598 |
| Utilities | 27,735 | 3,625 | 31,360 |
| Meetings and conferences | 37,400 | - | 37,400 |
| Travel | 4,793 | - | 4,793 |
| Interest | 5,711 | 373 | 6,084 |
| Miscellaneous | 4,751 | 6,927 | 11,678 |
| Loss on disposal of equipment | - | 3,778 | 3,778 |
| **Total expenses** | $ 5,738,520 | $ 1,376,544 | $ 7,115,064 |

See notes to financial statements.

**New Jersey Reentry Corporation**

**Statement of Cash Flows**
**Year Ended June 30, 2021**

| | |
|---|---|
| Cash flows from operating activities: | |
| Change in net assets | $ 1,209,240 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 172,807 |
| Loss on disposal of equipment | 3,778 |
| Forgiveness of Paycheck Protection Program loan | (648,082) |
| Changes in assets and liabilities: | |
| Decrease in grants receivable | 63,671 |
| Increase in other receivables | (3,446) |
| Decrease in prepaid expenses | (15,972) |
| Increase in security deposits | (25,067) |
| Increase in payables and accrued expenses | 68,648 |
| Decrease in deferred revenue | (165,491) |
| Increase in deferred rent | 6,743 |
| **Net cash provided by operating activities** | 666,829 |
| Cash flows used in investing activities: | |
| Purchases of furniture and equipment | (602,451) |
| **Net increase in cash** | 64,378 |
| Cash: | |
| Beginning of year | 3,265,283 |
| End of year | $ 3,329,661 |
| Supplemental disclosure of noncash financing activity: | |
| Forgiveness of Paycheck Protection Program loan | $ 648,082 |

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, 2021.

**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, 2021, 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 services:** 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, 2021, contributed services relate to legal services for approximately $45,500 and donated goods for approximately $99,800.

**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. At June 30, 2021, $145,000 of net asset have donor-imposed purpose restrictions.

**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.

## Note 2. Summary of Significant Accounting Policies (Continued)

**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.

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 $3,079,661 at June 30, 2021. NJRC has not experienced any losses in such accounts.

**Coronavirus:** On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which NJRC operates.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to NJRC.

NJRC received funds from the Paycheck Protection Program (PPP) (see Note 9) under the CARES Act.

## Note 2. Summary of Significant Accounting Policies (Continued)

**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.

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*. The ASU increases transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. Under the standard, contributed nonfinancial assets will be presented as a separate line item in the balance sheet, apart from contributions of cash and other financial assets. Additional disclosures are required, including a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, and expanded disclosures for each category. The amendments in this ASU are applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. NJRC is in the process of evaluating the impact of adopting the ASU.

**Subsequent events:** NJRC evaluated subsequent events occurring after June 30, 2021, 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 10, 2022, 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, 2021, to meet general expenditures over the next 12 months.

| | |
|---|---|
| Cash | $ 3,329,661 |
| Grants receivable | 81,360 |
| Total financial assets at June 30, 2021 | $ 3,411,021 |

## Note 4. Furniture and Equipment

Furniture and equipment as of June 30, 2021, is as follows:

| | | |
|---|---|---|
| Furniture and equipment: | | |
| Office furniture and equipment | $ | 1,025,678 |
| Transportation equipment | | 211,912 |
| Total furniture and equipment | | 1,237,590 |
| Less accumulated depreciation | | (548,146) |
| Total furniture and equipment, net | $ | 689,444 |

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 $172,807 for the year ended June 30, 2021.

## 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, 2021 under this lease is $97,745.

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. The total minimum rental commitment at June 30, 2021 under this lease is $41,871.

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, 2021, under this lease is $468,443.

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, 2021, under this lease is $85,399.

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, 2021, under this lease is $97,066.

## Note 5. Operating Leases (Continued)

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, 2021, under this lease is $82,850.

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, 2021, under this lease is $115,740.

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, 2021, under this lease is $330,424.

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. The annual base rent under the lease is $53,815, escalating 3% per year. The total minimum rental commitment at June 30, 2021, under this lease is $267,772.

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, 2021, under this lease is $699,932.

NJRC recognized rent expense in the amount of $794,677 for the year ended June 30, 2021. Prepaid rent balances for the year ended June 30, 2021, totaled $110,172.

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

| | |
|---|---|
| Years ending June 30: | |
| 2022 | $ 717,446 |
| 2023 | 556,064 |
| 2024 | 427,270 |
| 2025 | 387,706 |
| 2026 | 149,814 |
| Thereafter | 48,942 |
| | $ 2,287,242 |

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 $54,499 for the year ended June 30, 2021.

## Note 5. Operating Leases (Continued)

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

| | | |
|---|---|---|
| Years ending June 30: | | |
| 2022 | $ | 48,698 |
| 2023 | | 24,360 |
| 2024 | | 14,268 |
| | $ | 87,326 |

## 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. Paycheck Protection Program Loan

In April 2020, NJRC received $648,082 in funding from the U.S. Small Business Administration (SBA) under the PPP established by the CARES Act. The loan is uncollateralized and is fully guaranteed by the Federal government. Under the terms of the PPP, PPP loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. NJRC was notified that the entire loan of $648,082 was forgiven by the SBA on June 21, 2021.

NJRC treated the PPP loan in accordance with ASC 470. Under ASC 470, proceeds are recognized as debt when received and as debt forgiveness when legally forgiven. NJRC used the entire loan proceeds for eligible purposes during the year ended June 30, 2021, and received approval by the SBA of the NJRC's loan forgiveness application in June 2021. As a result of having substantially met conditions by year-end, NJRC recognized $655,427 of loan forgiveness for the year ended June 30, 2021. Conditions necessary for forgiveness of the loan could be audited by the SBA up to six years subsequent to granting forgiveness. NJRC does not anticipate any future findings that would cause any portion of the loan to be ineligible for forgiveness.

## Note 9. Subsequent Events

In October 2021, NJRC was granted $9,000,000 of funding by NJDCA to provide a broad variety of reentry program services including utilizing addiction treatment, transitional sober housing, and employment and training to formerly incarcerated clients across the State of New Jersey.