

New Jersey Reentry Corporation

Financial Report
June 30, 2024

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-14

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, 2024, 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, 2024, 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

Edison, New Jersey
March 28, 2025

New Jersey Reentry Corporation

Statement of Financial Position
June 30, 2024

Assets

Current assets:

Cash	\$ 6,048,645
Grants receivable	1,733,826
Other receivables	1,942
Prepaid expenses	280,603
Total current assets	<u>8,065,016</u>

Noncurrent assets:

Furniture and equipment, net of accumulated depreciation	1,500,318
Operating lease right-of-use assets	5,109,636
Security deposits	144,109
Total noncurrent assets	<u>6,754,063</u>

Total assets \$ 14,819,079

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued expenses	\$ 564,382
Grants received in advance	6,807,097
Current portion of operating lease liabilities	839,376
Total current liabilities	<u>8,210,855</u>

Noncurrent liabilities:

Operating lease liabilities, less current portion	4,456,429
Total noncurrent liabilities	<u>4,456,429</u>

Net assets:

Without donor restrictions	2,012,460
With donor restrictions	139,335
Total net assets	<u>2,151,795</u>

Total liabilities and net assets \$ 14,819,079

See notes to financial statements.

New Jersey Reentry Corporation

**Statement of Activities
Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
State financial assistance and other grant revenue	\$ 11,232,498	\$ -	\$ 11,232,498
Contributions	96,449	93,100	189,549
Contributions of nonfinancial assets	1,087,273	-	1,087,273
Release from restrictions	89,877	(89,877)	-
Total revenues	12,506,097	3,223	12,509,320
Expenses:			
Program services	10,630,039	-	10,630,039
Management and general	2,147,586	-	2,147,586
Total expenses	12,777,625	-	12,777,625
Change in net assets	(271,528)	3,223	(268,305)
Net assets, beginning of year	2,283,988	136,112	2,420,100
Net assets, end of year	<u>\$ 2,012,460</u>	<u>\$ 139,335</u>	<u>\$ 2,151,795</u>

See notes to financial statements.

New Jersey Reentry Corporation

**Statement of Functional Expenses
Year Ended June 30, 2024**

	Program Services	Management and General	Total
Salaries	\$ 4,532,975	\$ 1,593,089	\$ 6,126,064
Payroll taxes	469,295	153,740	623,035
Employee benefits	426,453	95,288	521,741
Total salaries and benefits	5,428,723	1,842,117	7,270,840
Rent expense	952,642	90,168	1,042,810
Program transportation	175,428	-	175,428
Participant cost	1,003,817	122	1,003,939
Depreciation	519,370	28,107	547,477
Facility operating costs	230,085	16,868	246,953
Computer expense	83,770	10,288	94,058
Supplies	1,114,927	7,906	1,122,833
Consultants	228,660	19,952	248,612
Communication	125,784	15,367	141,151
Insurance	179,292	19,746	199,038
Printing and publication	138,014	3,530	141,544
Professional services	94,288	9,442	103,730
Office furniture and equipment	48,083	8,796	56,879
Maintenance and repairs	36,383	2,410	38,793
Utilities	49,032	6,005	55,037
Meetings and conferences	112,550	31,584	144,134
Travel	18,618	696	19,314
Miscellaneous	90,573	34,482	125,055
Total expenses	\$ 10,630,039	\$ 2,147,586	\$ 12,777,625

See notes to financial statements.

New Jersey Reentry Corporation

Statement of Cash Flows
Year Ended June 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ (268,305)
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	547,477
Changes in:	
Grants receivable	(1,553,058)
Other receivables	8,491
Prepaid expenses	(76,116)
Operating lease assets and lease liabilities	94,286
Security deposits	(10,501)
Accounts payable and accrued expenses	86,221
Grants received in advance	(1,752,777)
Net cash used in operating activities	<u>(2,924,282)</u>
Cash flows used in investing activities:	
Purchases of furniture and equipment	(715,242)
Net cash used in investing activities	<u>(715,242)</u>
Net decrease in cash	<u>(3,639,524)</u>
Cash:	
Beginning of year	<u>9,688,169</u>
End of year	<u>\$ 6,048,645</u>

New Jersey Reentry Corporation

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:

Program Services: The one-stop offender reentry services are 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, prerelease services, linkage to entitlement and services prior to release, postrelease 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 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 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). The financial statements are presented in accordance with Accounting Standards Codification 958—Financial Statements of Not for Profit Organizations. Net assets, revenues and releases from restriction are classified based on the existence or absence of donor-or board-imposed restrictions. Accordingly, the net assets of the Organization and the changes therein are classified and reported in two categories of net assets.

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 credit losses was deemed necessary as of June 30, 2024.

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.

Leases: NJRC follows the lease accounting guidance in ASC 842. NJRC determines if an arrangement is a lease at inception of the contract. Under ASC 842, a lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. NJRC's contracts determined to be or contain a lease include explicitly or implicitly identified assets where NJRC has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

New Jersey Reentry Corporation

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Leases are classified as either operating or finance. For both operating and finance leases, NJRC recognizes a lease liability equal to the present value of the remaining lease payments, and a right-of-use asset equal to the lease liability, subject to certain adjustments, such as for prepaid rents. The lease term may include options to extend or terminate the lease when it is reasonably certain that NJRC will exercise such option. When the rate implicit in the lease is not readily determinable, NJRC has made a policy election to use a risk-free rate, based on the United States Treasury rates, to determine the present value of the lease payments for all classes of assets.

NJRC defines a short-term lease as any lease arrangement with an original lease term of 12 months or less that does not include an option to purchase the underlying asset. NJRC has made a policy election to not recognize right-of-use assets and lease liabilities for short-term leases. As a result, short-term lease payments are recognized as expense on a straight-line basis over the lease term, and variable lease payments are recognized in the period in which the obligation is incurred. Certain of NJRC's leases also include variable lease costs. These variable payments typically represent additional services transferred to NJRC, such as average charges for related services and these are recorded in occupancy expense in the period incurred.

Operating leases result in a straight-line lease expense, while finance leases result in a front-loaded expense pattern. NJRC's lease agreements do not contain any residual value guarantees or restrictive covenants.

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, 2024, there are approximately \$17,420,000 in conditional contributions that NJRC has not met the barriers to be recognized as revenue of which approximately \$10,600,000 has not been received by NJRC. 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, 2024, contributed services relate to legal services for approximately \$64,850 and donated goods for approximately \$1,022,423.

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.

New Jersey Reentry Corporation

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2024, there are no donated goods held in inventory.

Nonfinancial Asset	2024	Valuation Techniques and Inputs
Legal services	\$ 64,850	Contributed services from attorneys are valued at the estimated fair value based on current rate for similar legal services.
Household goods	580,816	
Clothing	47,021	The fair value basis was estimated from the retail values that would be received for selling similar products.
Food	394,364	
Medical supplies	222	
	<u>\$ 1,087,273</u>	

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 are available for use in general operations and are not subject to donor restrictions.

Net assets with donor restrictions: Net assets are 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, 2024:

Purpose restricted:	
Aging population legislation	\$ 27,779
Women's health care	33,333
Retail training	50,000
Advanced Digital Training	16,395
Community Food Bank Deliveries	2,231
Veteran Affairs	9,597
	<u>\$ 139,335</u>

New Jersey Reentry Corporation

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

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.

NJRC follows 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 has not experienced any losses in such accounts, and monitors that creditworthiness of the financial institutions with which it conducts business. NJRC believes it is not exposed to any significant credit risk on its cash balances.

Adopted accounting pronouncements: In fiscal year 2024, the College adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the current incurred loss impairment methodology for financial assets reported at amortized cost, such as receivables, with a methodology that reflects expected future credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in this update are effective for the College's fiscal year ended June 30, 2024. The update was adopted in the current year financial statements and had no material impact.

Subsequent events: NJRC has evaluated subsequent events for potential recognition and/or disclosure through March 28, 2025, the date the financial statements were 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.

New Jersey Reentry Corporation

Notes to Financial Statements

Note 3. Liquidity and Availability of Resources (Continued)

The following represents NJRC's available financial assets as of June 30, 2024, to meet general expenditures over the next 12 months.

Cash	\$ 6,048,645
Grants receivable	1,733,826
Other receivable	1,942
	<u>7,784,413</u>
Less amounts not available to be used in one year:	
Restricted net assets	<u>139,335</u>
Financial assets available to meet general expenditures over the next 12 months at June 30, 2024	<u>\$ 7,645,078</u>

Note 4. Furniture and Equipment

Furniture and equipment as of June 30, 2024, is as follows:

Furniture and equipment:	
Office furniture and equipment	\$ 3,022,425
Transportation equipment	355,180
Total furniture and equipment	<u>3,377,605</u>
Less accumulated depreciation	<u>(1,877,287)</u>
Total furniture and equipment, net	<u>\$ 1,500,318</u>

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

	<u>Years</u>
Office furniture and equipment	3
Transportation equipment	5

Depreciation expense was \$547,477 for the year ended June 30, 2024.

Note 5. Leases

NJRC occupies various office and facility space under various leases. Terms of the long-term leases include annual base rents, subject to annual inflationary adjustments, plus certain variable costs.

Under ASC 842, the lease term at the lease commencement date is determined based on the noncancelable period for which NJRC has the right to use the underlying asset, together with any periods covered by an option to extend the lease if NJRC is reasonably certain to exercise that option, periods covered by an option to terminate the lease if NJRC is reasonably certain not to exercise that option, and periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. NJRC considered a number of factors when evaluating whether the options in its lease contracts were reasonably certain of exercise, such as length of time before option exercise, expected value of the leased asset at the end of the initial lease term, importance of the lease to overall operations, costs to negotiate a new lease, and any contractual or economic penalties.

New Jersey Reentry Corporation

Notes to Financial Statements

Note 5. Leases (Continued)

ASC 842 includes a number of reassessment and remeasurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the applicable discount rate. NJRC reviewed the reassessment and remeasurement requirements and did not identify any events or conditions during 2024, that required a reassessment or remeasurement. In addition, there were no impairment indicators identified during 2024 that required an impairment test for NJRC's right-of-use assets or other long-lived assets in accordance with ASC 360-10.

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, 2024, under this lease is \$45,750.

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 five years. The annual base rent is \$83,900. The total minimum rental commitment at June 30, 2024, under this lease is \$216,752.

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. On September 23, 2022, this lease was amended to extend the term of the lease by 60 months. The annual base rent under the lease is \$55,234, escalating 2% per year after the first two years. The total minimum rental commitment at June 30, 2024, under this lease is \$204,042.

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. On October 31, 2022, this lease was amended to extend the term of the lease by 60 months. The annual base rent under the lease is \$73,200, escalating 2.5% per year. The total minimum rental commitment at June 30, 2024, under this lease is \$286,553.

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, 2024, under this lease is \$68,841.

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, 2024, under this lease is \$99,773.

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, 2024, under this lease is \$198,598.

New Jersey Reentry Corporation

Notes to Financial Statements

Note 5. Leases (Continued)

On June 14, 2022, NJRC entered into a 10-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, 2024, is \$1,515,000.

On October 20, 2022, NJRC entered into a 15-year lease for office space at 762 Roosevelt Avenue, Carteret, New Jersey. Annual fixed rent for the first year is \$36,000, years two through 10 is \$156,650 and years 11 through 15 is \$159,063. The total minimum rental commitment at June 30, 2024, is \$2,139,862.

On December 6, 2023, NJRC entered into a 15-year lease for office space at 24 Main Street, Toms River, New Jersey. Annual fixed rent for the first year is \$47,250, years two is \$67,416, escalating 7% each year. The total minimum rental commitment at June 30, 2024, is \$1,589,819.

NJRC has several noncancelable operating leases, primarily for office copiers and vehicles, with expiration periods from two to three years. The total minimum rental commitment at June 30, 2024, is \$134,397.

The components of lease expense and supplemental cash flow information related to leases for the year ended June 30, 2024, are as follows:

Operating lease cost	\$ 1,042,810
Variable lease cost	117,487
	<u>\$ 1,160,297</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 979,388
Right-of-use assets obtained in exchange for operating lease liabilities:	\$ 1,129,834
Weighted-average remaining lease term—operating leases	10.01 years
Weighted-average discount rate—operating leases	3.79%

As of June 30, 2024, maturities of NJRC's lease liabilities are as follows:

Years ending June 30:	
2025	\$ 1,026,192
2026	716,134
2027	631,510
2028	518,600
2029	422,600
Remaining	<u>3,184,549</u>
Total lease payments	6,499,585
Less imputed interest	<u>(1,203,780)</u>
	<u>\$ 5,295,805</u>

New Jersey Reentry Corporation

Notes to Financial Statements

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 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