New Jersey Reentry Corporation

Financial Report
June 30, 2020

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, 2020, 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, 2020, 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
January 28, 2021

New Jersey Reentry Corporation

Statement of Financial Position
June 30, 2020

Assets		
Current assets:		
Cash	$	3,265,283
Grants receivable		145,031
Prepaid expenses		189,347
Total current assets		3,599,661
Noncurrent assets:		
Furniture and equipment, net		273,632
Security deposits		46,394
Total noncurrent assets		320,026
Total assets	$	3,919,687
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$	218,287
Grants received in advance		2,519,251
Total current liabilities		2,737,538
Noncurrent liabilities:		
Paycheck Protection Program loan		648,082
Deferred rent		26,351
Total noncurrent liabilities		674,433
Net assets:		
Without donor restrictions		507,716
Total liabilities and net assets	$	3,919,687

See notes to financial statements.

New Jersey Reentry Corporation

Statement of Activities
Year Ended June 30, 2020

		Without Donor Restrictions
Revenues:		
State financial assistance	$	5,581,327
Contributions		170,969
Total revenues		5,752,296
Expenses:		
Program services		4,964,457
Management and general		1,093,815
Total expenses		6,058,272
Change in net assets		(305,976)
Net assets, beginning of year		813,692
Net assets, end of year	$	507,716

See notes to financial statements.

New Jersey Reentry Corporation

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Management and General	Total
Salaries	$ 2,704,432	$ 786,633	$ 3,491,065
Payroll taxes	191,361	61,102	252,463
Employee benefits	223,681	53,876	277,557
Total salaries and benefits	3,119,474	901,611	4,021,085
Rent expense	569,292	65,085	634,377
Program transportation	99,479	-	99,479
Participant cost	157,943	-	157,943
Depreciation	112,111	12,898	125,009
Facility operating costs	109,512	9,897	119,409
Computer expense	48,337	12,208	60,545
Supplies	64,497	7,676	72,173
Consultants	199,105	14,159	213,264
Communication	71,370	9,480	80,850
Insurance	69,838	9,109	78,947
Printing and publication	35,184	5,483	40,667
Professional services	176,841	30,371	207,212
Office furniture and equipment	48,684	7,943	56,627
Maintenance and repairs	21,978	1,757	23,735
Utilities	24,433	3,678	28,111
Meetings and conferences	20,948	60	21,008
Travel	6,621	57	6,678
Interest	-	1,260	1,260
Miscellaneous	8,810	587	9,397
Loss on disposal of equipment	-	496	496
Total expenses	$ 4,964,457	$ 1,093,815	$ 6,058,272

See notes to financial statements.

New Jersey Reentry Corporation

Statement of Cash Flows
Year Ended June 30, 2020

Cash flows from operating activities:		
Change in net assets	$	(305,976)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		125,009
Loss on disposal of equipment		496
Changes in assets and liabilities:		
Decrease in grants receivable		98,033
Decrease in prepaid expenses		87,883
Increase in security deposits		(7,000)
Increase in payables and accrued expenses		19,563
Increase in deferred revenue		2,123,222
Increase in deferred rent		26,351
Net cash provided by operating activities		2,167,581
Cash flows used in investing activities:		
Purchases of furniture and equipment		(192,860)
Cash flows provided by financing activities:		
Proceeds from Paycheck Protection Program Loan		648,082
Net increase in cash		2,622,803
Cash:		
Beginning of year		642,480
End of year	$	3,265,283
Supplemental disclosure of noncash investing activity:		
Purchase of property and equipment included in accounts payable and accrued expenses	$	10,054

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, 2020.

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.

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. 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.

Note 2. Summary of Significant Accounting Policies (Continued)

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.

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. There were no net assets with donor restrictions as of June 30, 2020.

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 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 $3,015,283 at June 30, 2020. NJRC has not experienced any losses in such accounts.

Note 2. Summary of Significant Accounting Policies (Continued)

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.

Recently adopted accounting pronouncement: In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The guidance in this ASU clarifies the characterization of grants and similar contracts with resource providers as either exchange transactions or contributions, and distinguishes between conditional contributions and unconditional contributions. The standard was effective for annual reporting periods beginning after December 15, 2018. There was no significant impact on the financial statements for the adoption of the new standard. NJRC adopted the guidance in this standard in the current year using a modified prospective basis. The amendments in the ASU were applied only to the portion of revenue not yet recognized before the effective date.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Subsequent events: NJRC evaluated subsequent events occurring after June 30, 2020, 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 January 28, 2021, 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, 2020, to meet general expenditures over the next 12 months.

Cash	$ 3,265,283
Grants receivable	145,031
Total financial assets at June 30, 2020	$ 3,410,314

Note 4. Furniture and Equipment

Furniture and equipment as of June 30, 2020, is as follows:

Furniture and equipment:	
Office furniture and equipment	$ 628,893
Transportation equipment	24,800
Total furniture and equipment	653,693
Less accumulated depreciation	(380,061)
Total furniture and equipment, net	$ 273,632

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 $125,009 for the year ended June 30, 2020.

Note 5. Contracts With Affiliates

On November 23, 2015, NJRC entered into an agreement with the Greater Newark Conservancy, a New Jersey nonprofit, to be the sole substance/mental health treatment provider at Integrity House, Inc. in connection with the One-Stop Offender Re-entry Services grant. This agreement was modified on May 11, 2016, to increase the funding allocation for the affiliate. During fiscal year 2020, NJRC reimbursed approximately $66,900 to Newark Conservancy in accordance with the agreement.

Note 6. 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. The total minimum rental commitment at June 30, 2020 under this lease is $22,274.

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, 2020 under this lease is $124,389.

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. The total minimum rental commitment at June 30, 2020 under this lease is $130,800.

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, 2020 under this lease is $149,448.

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, 2020 under this lease is $165,316.

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, 2020 under this lease is $138,084.

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, 2020 under this lease is $183,201.

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, 2020 under this lease is $414,425.

NJRC recognized rent expense in the amount of $634,377 for the year ended June 30, 2020. Prepaid rent balances for the year ended June 30, 2020, totaled $142,913.

Note 6. 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:		
2021	$	525,643
2022		431,679
2023		211,776
2024		89,673
2025		69,166
	$	1,327,937

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 $51,089 for the year ended June 30, 2020.

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

Years ending June 30:		
2021	$	41,068
2022		10,792
	$	51,860

Note 7. 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 8. 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 9. Paycheck Protection Program Loan

On 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 PPP loan will mature on April 20, 2022, and bears interest at a rate of 1% per annum. The PPP loan may be prepaid by NJRC at any time prior to maturity with no prepayment penalties. The loan, or a portion thereof, is eligible for forgiveness by the SBA if the qualifying entity meets certain conditions. Whether an entity qualifies for a PPP loan, and whether it meets the necessary conditions for forgiveness, requires careful consideration of the PPP requirements and the individual entity's facts and circumstances. NJRC has not applied for forgiveness of the loan as of June 30, 2020. In the event the loan is not forgiven, it will be payable monthly commencing August 20, 2021 and ending April 20, 2022.

Note 10. Subsequent Events

On May 4, 2020, NJRC entered into an agreement with Principal Financial Group to start a new 401(k) plan for its employees, effective beginning July 1, 2020.

On August 24, 2020, NJRC entered into a five-year office 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, escalating between 2% and 8% per year. The total minimum rental commitment at August 24, 2020 under this lease is $828,500.

On October 14, 2020, NJRC was granted $9,000,000 of funding by the 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.

On October 27, 2020, NJRC entered into a five-year office lease for office space of unit A and A1 located at 1 N. Johnston, Hamilton, (Mercer County), New Jersey to operate and provide services in connection with the Community Resource Center Services grant. The annual base rent under the lease is $106,648, escalating between 2% and 3% per year. The total minimum rental commitment at October 27, 2020 under this lease is $559,839.

On November 5, 2020, NJRC entered into a grant agreement with the County of Bergen for Community Development Block Grant (CDBG) COVID-19 relief funds in the amount of $84,252 to provide COVID-19 related services to formerly incarcerated clients living in Bergen County.