New Jersey Reentry Corporation

Financial Report
June 30, 2019

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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, 2019, 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 audits. We conducted our audits 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, 2019, 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.

Emphasis of Matters
As discussed in Note 2, New Jersey Reentry Corporation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. The adoption of the standard resulted in additional footnote disclosures and changes to the classification of net assets and disclosures relating to net assets. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

RSM US LLP

Metro Park, New Jersey
June 30, 2020

New Jersey Reentry Corporation

Statement of Financial Position
June 30, 2019

Assets		
Current assets:		
Cash	$	642,480
Grants receivable		243,064
Prepaid expenses		277,230
Total current assets		1,162,774
Noncurrent assets:		
Furniture and equipment, net		196,223
Security deposits		39,394
Total noncurrent assets		235,617
Total assets	$	1,398,391
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$	188,670
Deferred revenue		396,029
Total current liabilities		584,699
Net assets:		
Without donor restrictions		813,692
Total liabilities and net assets	$	1,398,391

See notes to financial statements.

New Jersey Reentry Corporation

Statement of Activities
Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
State Financial Assistance	$ -	$ 5,530,137	$ 5,530,137
Contributions	58,323	-	58,323
Net assets released from restriction	5,530,137	(5,530,137)	-
Total revenues	5,588,460	-	5,588,460
Expenses:			
Program services	5,113,414	-	5,113,414
Management and general	681,873	-	681,873
Total expenses	5,795,287	-	5,795,287
Change in net assets	(206,827)	-	(206,827)
Net assets, beginning of year (as restated)	1,020,519	-	1,020,519
Net assets, end of year	$ 813,692	$ -	$ 813,692

See notes to financial statements.

New Jersey Reentry Corporation

Statement of Functional Expenses
Year Ended June 30, 2019

	Total Programs Services	Management and General	Total
Salaries	$ 2,846,852	$ 464,627	$ 3,311,479
Payroll taxes	187,906	28,070	215,976
Employee benefits	253,224	44,888	298,112
Total salaries and benefits	3,287,982	537,585	3,825,567
Rent expense	525,738	56,815	582,553
Program transportation	143,235	-	143,235
Participant cost	352,789	-	352,789
Depreciation	113,193	15,059	128,252
Facility operating costs	94,921	9,358	104,279
Computer expense	85,802	8,106	93,908
Technical services	19,571	2,659	22,230
Supplies	51,193	9,153	60,346
Consultants	91,080	5,133	96,213
Communication	63,838	8,374	72,212
Insurance	62,634	6,756	69,390
Printing and publication	55,130	6,698	61,828
Professional services	38,623	6,107	44,730
Office furniture and equipment	42,254	3,705	45,959
Maintenance and repairs	28,084	1,738	29,822
Utilities	30,132	4,048	34,180
Meetings and conferences	19,882	187	20,069
Travel	4,832	301	5,133
Miscellaneous	2,501	91	2,592
Total expenses	$ 5,113,414	$ 681,873	$ 5,795,287

See notes to financial statements.

New Jersey Reentry Corporation

Statement of Cash Flows
Year Ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	$ (206,827)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	128,252
Changes in assets and liabilities:	
Decrease in grants receivable	232,444
Increase in prepaid expenses	(10,523)
Increase in payables and accrued expenses	43,501
Increase in deferred revenue	16,305
Net cash provided by operating activities	203,152
Cash flows used in investing activities:	
Purchases of furniture and equipment	(40,741)
Net increase in cash	162,411
Cash:	
Beginning of year	480,069
End of year	$ 642,480

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, and training and employment, linkage to health care services, motor vehicle identification 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, 2019.

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 deferred revenue 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 restriction.

Note 2. Summary of Significant Accounting Policies (Continued)

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, 2019.

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 is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, NJRC qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(2). NJRC is also exempt from state and local taxes. NJRC is subject to unrelated business income tax (UBIT), if applicable. For the tax year ended June 30, 2019, NJRC did not owe any UBIT.

Management has evaluated NJRC's tax positions for all open tax years and has concluded that they have taken no uncertain tax positions that would require adjustment or disclosure to the accompanying financial statements.

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 $392,480 at June 30, 2019. NJRC has not experienced any losses in such accounts.

Recently adopted accounting pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* NJRC has adopted this ASU in the year ended June 30, 2019. The impact to the financial statements include a change in the net asset classification from unrestricted, temporarily restricted, and permanently restricted to with donor restrictions and without donor restrictions, additional disclosure on liquidity analysis (see Note 3) and an expanded disclosure on the functional expense allocation (see Note 9).

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 Accounting Standard Codification (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 August 2018, the FASB issued 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 how a not-for-profit organization determines whether a resource provider is participating in an exchange transaction. The new standard is effective for annual reporting periods beginning after December 15, 2018. NJRC does not expect there to be a significant impact on the financial statements for the adoption of the new standard.

Subsequent events: NJRC evaluated subsequent events occurring after June 30, 2019, 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 June 30, 2020, 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, 2019, to meet general expenditures over the next 12 months.

Cash	$	642,480
Contributions receivable		243,064
Total financial assets at June 30, 2019	$	885,544

Note 4. Furniture and Equipment

Furniture and equipment for the year ended June 30, 2019, is as follows:

Furniture and equipment:		
Office furniture and equipment	$	428,159
Transportation equipment		24,800
Total furniture and equipment		452,959
Less accumulated depreciation		(256,736)
Total furniture and equipment, net	$	196,223

Note 4. Furniture and Equipment (Continued)

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 $128,252 for the year ended June 30, 2019.

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 2019, NJRC reimbursed approximately $325,000 to Newark Conservancy in accordance with the agreement.

On December 9, 2015, NJRC entered into a contract with the Jersey City Employment and Training Program, Inc. to provide administrative and program services in connection with the One-Stop Offender Re-entry Services grant. Under the terms of the contract, NJRC will reimburse Jersey City Employment and Training Program, Inc. for a percentage of costs related to administrative and program services. During fiscal year 2019, NJRC reimbursed approximately $201,000 to Jersey City Employment and Training Program, Inc. in accordance with the agreement. On January 7, 2019, the relationship was terminated by a board resolution of Jersey City Employment and Training Program, Inc.

Note 6. Operating Leases

On January 10, 2016, NJRC entered into a one-year sub-lease agreement with the option to cancel the lease at the end of each year, with an expiration date of December 31, 2018, with William H. Butler Help Center Inc., a nonprofit corporation, commencing upon completion of renovations as determined by the sub-lease located at 147 Montgomery Street, Paterson, New Jersey for the entire second and third floor Grace Gospel Church of Paterson, Inc.

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.

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.

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.

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.

Note 6. Operating Leases (Continued)

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.

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 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.

NJRC recognized rent expense in the amount of $582,553 for the year ended June 30, 2019. Prepaid rent balances for the year ended June 30, 2019, totaled $228,581.

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

Years ending June 30:	
2020	$ 494,717
2021	441,643
2022	347,154
2023	124,715
	$ 1,408,229

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 $48,874 for the year ended June 30, 2019.

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

Years ending June 30:	
2020	$ 40,912
2021	30,820
2022	5,916
	$ 77,648

Note 7. Contingencies

NJRC receives its support from the state of New Jersey, Department of Community Affairs, 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. Restatement of Opening Net Assets

NJRC's financial statements as of June 30, 2018 contained an error which understated deferred revenue and therefore overstated revenue and changes in net assets by $185,787. Net assets as of July 1, 2018, have been reduced by $185,787 to correct the effect of the error.

The following illustrates the correction of the error as shown on NJRC's statement of financial position for the year ended June 30, 2019:

Net assets at July 1, 2018, as previously reported	$ 1,206,306
Prior period adjustment	(185,787)
Net assets at July 1, 2018, as restated	1,020,519
Change in net assets	(206,827)
Net assets at June 30, 2019	$ 813,692

Note 10. Subsequent Events

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, 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. The extent of the impact of COVID-19 on NJRC's future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and is uncertain and cannot be determined at this time.

In April 2020, NJRC received approximately $648,000 in funding from the U.S. Small Business Administration (SBA) under the Paycheck Protection Program (PPP) established by the CARES Act. 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 been forgiven for any portion of the loan as of June 30, 2020. The loan will be accounted for in accordance with ASC Subtopic 958-605 as a conditional contribution, in line with FASB guidance for treatment of PPP loans made to nonprofit entities where loan forgiveness is expected.

Note 10. Subsequent Events (Continued)

On April 1, 2020, NJRC entered into a five-year lease for office space located at 936-938 Bergen Street, Newark, New Jersey in connection with the One-Stop Offender Re-entry Services Grant. The base rent under the new lease is $84,000, escalating 3% per year after the first two years.

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.