

NJ LEEP, INC.

Independent Auditors' Report and
Financial Statements for the
Year Ended August 31, 2019 (with Comparative
Totals for the Year Ended August 31, 2018)

NJ LEEP, INC.

TABLE OF CONTENTS

| | PAGE |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| FINANCIAL STATEMENTS: | |
| Statements of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statements of Cash Flows | 6 |
| NOTES TO THE FINANCIAL STATEMENTS | 7-16 |

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
NJ LEEP, Inc.

We have audited the accompanying financial statements of NJ LEEP, Inc., (a nonprofit organization) which comprise the statement of financial position as of August 31, 2019, and 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.

Auditors' 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 NJ LEEP, Inc., as of August 31, 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.

Report on Summarized Comparative Information

We have previously audited NJ LEEP, Inc.'s August 31, 2018 financial statements, and our report dated February 1, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Quillari Canino LLC

Fairfield, New Jersey
March 20, 2020

NJ LEEP, INC.

**STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2019 AND 2018**

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|--|----------------------------------|----------------------------|---------------------|---------------------|
| | | | 2019 | 2018 |
| ASSETS | | | | |
| CURRENT ASSETS: | | | | |
| Cash and cash equivalents | \$ 1,550,956 | \$ 77,783 | \$ 1,628,739 | \$ 1,953,308 |
| Investments | 642,545 | - | 642,545 | - |
| Accounts receivable | - | - | - | 6,250 |
| Unconditional promises to give | 35,340 | 97,250 | 132,590 | 192,500 |
| Prepaid expenses | 37,973 | - | 37,973 | 31,914 |
| Total current assets | <u>2,266,814</u> | <u>175,033</u> | <u>2,441,847</u> | <u>2,183,972</u> |
| EQUIPMENT, NET | 3,027 | - | 3,027 | 4,571 |
| LONG TERM UNCONDITIONAL PROMISES TO GIVE, NET | - | 141,457 | 141,457 | - |
| SECURITY DEPOSIT | <u>14,875</u> | <u>-</u> | <u>14,875</u> | <u>14,875</u> |
| TOTAL ASSETS | <u>\$ 2,284,716</u> | <u>\$ 316,490</u> | <u>\$ 2,601,206</u> | <u>\$ 2,203,418</u> |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES: | | | | |
| Accrued expenses | \$ 71,586 | \$ - | \$ 71,586 | \$ 69,284 |
| Accounts payable | 24,392 | - | 24,392 | 7,654 |
| Deferred rent | 27,846 | - | 27,846 | 33,150 |
| TOTAL LIABILITIES | <u>123,824</u> | <u>-</u> | <u>123,824</u> | <u>110,088</u> |
| NET ASSETS: | | | | |
| Without donor restrictions | 2,160,892 | - | 2,160,892 | 1,801,235 |
| With donor restrictions | - | 316,490 | 316,490 | 292,095 |
| Total net assets | <u>2,160,892</u> | <u>316,490</u> | <u>2,477,382</u> | <u>2,093,330</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,284,716</u> | <u>\$ 316,490</u> | <u>\$ 2,601,206</u> | <u>\$ 2,203,418</u> |

NJ LEEP, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)**

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|---|----------------------------------|----------------------------|--------------|--------------|
| | | | 2019 | 2018 |
| PUBLIC SUPPORT AND REVENUES: | | | | |
| Special events | \$ 1,344,378 | \$ - | \$ 1,344,378 | \$ 1,394,352 |
| Contributions | 441,331 | 571,500 | 1,012,831 | 670,905 |
| Non-cash contributions | 75,819 | - | 75,819 | 39,046 |
| Donated use of facilities | 50,000 | - | 50,000 | 50,000 |
| State funded programs | 20,000 | - | 20,000 | 25,000 |
| Net assets released from restrictions | | | | |
| Satisfaction of purpose restrictions | 547,105 | (547,105) | - | - |
| Total public support and revenues | 2,478,633 | 24,395 | 2,503,028 | 2,179,303 |
| EXPENSES AND LOSSES: | | | | |
| Program services: | | | | |
| Educate and empower urban youth | 1,581,035 | - | 1,581,035 | 1,360,502 |
| Total program services | 1,581,035 | - | 1,581,035 | 1,360,502 |
| Supporting services: | | | | |
| Management and general | 168,949 | - | 168,949 | 107,744 |
| Fundraising | 317,598 | - | 317,598 | 235,311 |
| Cost of direct benefit to donors | 94,159 | - | 94,159 | 107,432 |
| Total supporting services | 580,706 | - | 580,706 | 450,487 |
| Total expenses and losses | 2,161,741 | - | 2,161,741 | 1,810,989 |
| Changes in net assets before non-operating income | 316,892 | 24,395 | 341,287 | 368,314 |
| INVESTMENT INCOME | 42,765 | - | 42,765 | 99 |
| CHANGES IN NET ASSETS | 359,657 | 24,395 | 384,052 | 368,413 |
| NET ASSETS, BEGINNING OF YEAR | 1,801,235 | 292,095 | 2,093,330 | 1,724,917 |
| NET ASSETS, END OF YEAR | \$ 2,160,892 | \$ 316,490 | \$ 2,477,382 | \$ 2,093,330 |

NJ LEEP, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019**

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED AUGUST 31, 2018)

| | Program Services | Supporting Services | | | Total | |
|---------------------------------------|---------------------------------|------------------------|-------------|----------------------------------|--------------|--------------|
| | Educate and Empower Urban Youth | Management and General | Fundraising | Cost of Direct Benefit to Donors | 2019 | 2018 |
| Personnel costs: | | | | | | |
| Salaries and wages | \$ 760,097 | \$ 64,703 | \$ 164,953 | \$ - | \$ 989,753 | \$ 809,886 |
| Fringe benefits | 74,506 | 6,342 | 16,169 | - | 97,017 | 61,143 |
| Payroll taxes | 77,421 | 6,590 | 16,802 | - | 100,813 | 83,208 |
| Total personnel costs | 912,024 | 77,635 | 197,924 | - | 1,187,583 | 954,237 |
| Advertising | 514 | - | 3,611 | - | 4,125 | 352 |
| Contract personnel | 106,860 | - | 4,075 | - | 110,935 | 38,594 |
| Educational materials license | 63,675 | - | - | - | 63,675 | 46,240 |
| Entertainment and catering | - | - | - | 94,159 | 94,159 | 107,432 |
| Equipment rental | 2,990 | 31 | 58 | - | 3,079 | 4,312 |
| Insurance | 9,800 | 4,067 | - | - | 13,867 | 15,373 |
| Meetings and conferences | 6,459 | 6,198 | 1,444 | - | 14,101 | 30,915 |
| Miscellaneous | 8,466 | 867 | 2,736 | - | 12,069 | 10,188 |
| Occupancy costs | 200,406 | 19,538 | 49,925 | - | 269,869 | 245,505 |
| Postage, printing and reproduction | 3,245 | 52 | 6,292 | - | 9,589 | 15,482 |
| Professional and consulting | 70,452 | 57,034 | 13,248 | - | 140,734 | 110,502 |
| Scholarships and stipends | 52,313 | - | - | - | 52,313 | 48,811 |
| Supplies | 68,298 | 2,447 | 21,602 | - | 92,347 | 53,924 |
| Telephone, website and communications | 35,741 | 879 | 14,293 | - | 50,913 | 89,365 |
| Travel and transportation | 38,645 | 89 | 2,104 | - | 40,838 | 38,211 |
| Total expenses before depreciation | 1,579,888 | 168,837 | 317,312 | 94,159 | 2,160,196 | 1,809,443 |
| Depreciation | 1,147 | 112 | 286 | - | 1,545 | 1,546 |
| Total expenses | \$ 1,581,035 | \$ 168,949 | \$ 317,598 | \$ 94,159 | \$ 2,161,741 | \$ 1,810,989 |

NJ LEEP, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ 384,052 | \$ 368,413 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 1,545 | 1,546 |
| Unrealized (gain) on investments | (34,563) | - |
| (Increase) decrease in operating assets: | | |
| Accounts receivable | 6,250 | 21,403 |
| Unconditional promises to give, net | (81,547) | (53,904) |
| Prepaid expenses | (6,060) | 26,410 |
| Increase (decrease) in operating liabilities: | | |
| Accrued expenses | 2,302 | 5,788 |
| Accounts payable | 16,738 | 1,154 |
| Due to grantor | - | (10,038) |
| Deferred rent | (5,304) | (5,304) |
| Net cash provided by operating activities | <u>283,413</u> | <u>355,468</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments | <u>(607,982)</u> | <u>-</u> |
| Net cash (used in) investing activities | <u>(607,982)</u> | <u>-</u> |
| (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | (324,569) | 355,468 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR | <u>1,953,308</u> | <u>1,597,840</u> |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR | <u>\$ 1,628,739</u> | <u>\$ 1,953,308</u> |

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018

1. NATURE OF ACTIVITIES

NJ LEEP, Inc. (the “Organization”) empowers urban youth from underserved neighborhoods in northern New Jersey to perform at high academic levels by building skills through law-related, mathematic, and other educational programs, developing the habits necessary for lasting success and community leadership, and offering exposure to those who have achieved academic and professional success. The Organization is a non-profit organization incorporated in July 2006 in the State of New Jersey and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting --- The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly revenues are recognized when received and expenses are recognized when incurred.

Basis of presentation --- The Organization prepares its financial statements utilizing the American Institute of Certified Public Accountants’ Audit and Accounting Guide, *Nonprofit Organizations*, and other pronouncements applicable to not-for-profit organizations. The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Paragraphs 958-205-45-2(a) through (d), which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions; net assets with donor restrictions and net assets without donor restrictions.

ASC Paragraphs 958-605-45-3 through 7, *Contributions Received*, requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions.

Accordingly, net assets of the Organization and changes therein would be classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, 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.

Fair Value (hierarchy) of financial instruments --- The Organization measures fair value of its assets and liabilities as defined by FASB ASC Topic 820, *Fair Value Measurement and Disclosure*. This ASC Topic defines fair value, establishes a framework for measuring fair value, establishes a three-level fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The three fair value hierarchy levels are defined as follows:

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fair Value (hierarchy) of financial instruments (cont.) ---

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Inputs are unobservable inputs for the assets and liabilities. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available. Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

Unless otherwise noted, the fair values of financial instruments approximate their carrying values. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FASB ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements.

As of August 31, 2019 and 2018, none of the assets (except for investments) and liabilities were required to be reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash, accounts receivable, investments, accounts payable, and accrued expenses, approximate fair values due to the short-term nature of these financial instruments. There are no changes in methods or assumptions during the years ended August 31, 2019 and 2018.

Cash and cash equivalents --- For purposes of the statement of cash flow, the Organization considers all cash without donor restriction and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Restricted cash --- Restricted cash is the portion of cash that will be used to cover expenditures that have been purpose restricted by the donor.

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Accounts receivable --- Accounts receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. For the years ended August 31, 2019 and 2018 management believes all individual account balances are collectible and therefore has not applied an allowance against these accounts.

Impairment of long-lived assets --- The Organization continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of long-lived assets in accordance with the provisions of ASC 360-10-05, *Impairment or Disposals of Long-Lived Assets*.

Property and equipment --- Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and renewals of minor items are charged to earnings as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the statement of activities.

The Organization's policy is to capitalize property and equipment with a purchase price of \$5,000 or more and a useful life of one year or more based on the following schedule:

| <u>Asset Class</u> | <u>Years</u> |
|------------------------|--------------|
| Equipment | 5 |
| Leasehold improvements | 15 |
| Furniture and fixtures | 15 |

Deferred Rent --- The Organization uses the straight line method to determine rental costs over the term of the lease in order to match the timing of the benefit derived from the leased property.

Revenue and support recognition --- Contributions, including unconditional promises to give, are recorded as received. All contributions are available for use unless specifically restricted by the donor. The Organization has a policy of classifying donations with donor restrictions as without donor restrictions when those restrictions are met in the same reporting period. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using interest rates consistent with unsecured individual credit rates applicable to the years in which the promises to give are to be received. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Fundraising revenue is considered an exchange transaction and, accordingly, amounts are recognized when the event takes place and matched against expenses. Additionally, funds received in advance of the event(s) are accounted for as deferred revenue in the statement of financial position.

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Grant Revenue --- The Organization receives grant monies from the New Jersey Department of State Office of Faith Based Initiatives (OFBI), annually. The OFBI grant term covers the costs of the program from July 1 through June 30; the grant's fiscal year. The Organization uses the funding to subsidize a portion of program costs during the normal school year which starts in September and ends in June. The grant contract is on a reimbursement basis, hence revenue is recognized when expenses are incurred.

Donated services --- Individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition under accounting principles generally accepted in the United States.

Donated goods --- Donated use of facilities for program activities is presented at its fair value on the Statement of Activities.

Income taxes --- The Organization is a not-for-profit organization described under Section 501(c)(3) of the Internal Revenue Code ("I.R.C.") and is therefore exempt from federal income taxes under Section 501(a) of the I.R.C. The Organization is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not for Profit Act*. Accordingly, no provision for Federal or State income taxes has been presented in the accompanying financial statements.

The Organization adheres to FASB ASC Topic 740, *Income Taxes*, which provides guidance and clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. For the years ended August 31, 2019 and 2018, the Organization has no material uncertain tax positions to be accounted for in the financial statements.

Annually, the Organization files an informational return with the United States Internal Revenue Service. The Organization also files an annual charitable registration with the State of New Jersey, Division of Consumer Affairs. All required tax returns have been filed and all taxes have been paid. The Organization is subject to tax examinations generally within three years from the latest filing date.

Use of estimates --- The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses --- Expenses are charged to each program based on direct expenditures incurred. Any program or supporting service expenditure not directly chargeable is allocated based on an indirect cost pool that is reasonable and consistently applied.

Allocated indirect expenditures include salaries and benefits, which are allocated on the basis of estimates of time and effort, supported by timesheets and time analysis. The indirect labor hours cost pool serves as the basis for allocating all other indirect costs.

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Prior year summarized information --- The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2018, from which the summarized information was derived.

Reclassification --- Certain amounts from prior year financial statements have been reclassified to conform to current year presentation.

3. RISKS AND UNCERTANTIES

Arising from cash deposits in excess of insured limits --- The Organization maintains its cash in two financial institutions located in New Jersey. During the year, cash balances can exceed federally insured limits of \$250,000. Management believes that the Organization has no significant risk of loss on these amounts due to the failure of the institution.

Funding dependence --- All of the funding for the Organization comes from donor and government assistance. This funding is dependent upon monies from individuals, government agencies and other nonprofits or foundations, accordingly there is no guarantee that such funding will continue.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

On October 12, 2018, the Organization deposited excess cash balances into an investment account. Per the Organization's investment policy, the assets purchased were mutual funds, traded in an active market for which daily closing prices are measured primarily on a net asset value basis. The value of these assets as of August 31, 2019 were \$642,545.

5. INVESTMENTS

The cost basis and estimated fair value of investments held as available for sale by the Organization at August 31, 2019 are as follows:

| | <u>Cost</u> | <u>Gross Unrealized Holdings Gains</u> | <u>Gross Unrealized Holdings Losses</u> | <u>Fair Value</u> |
|--------------|-------------------|--|---|-------------------|
| Equities: | | | | |
| Mutual funds | <u>\$ 607,982</u> | <u>\$ 34,563</u> | <u>\$ -</u> | <u>\$ 642,545</u> |

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018 (CONTINUED)

5. INVESTMENTS (CONT.)

The composition of investment returns included in net assets without donor restrictions in the statements of activities and changes in net assets without donor restrictions for the years ended August 31, 2019 and 2018 are as follows:

| | <u>2019</u> | <u>2018</u> |
|---|------------------|--------------|
| Interest income | \$ 64 | \$ 99 |
| Dividends | 8,138 | - |
| Change in net unrealized gains/(losses) | 34,563 | - |
| Total | <u>\$ 42,765</u> | <u>\$ 99</u> |

6. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at August 31, 2019 and 2018:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|-------------------|-------------------|
| Promises without donor restrictions | \$ 35,340 | \$ 182,500 |
| Promises with donor restrictions: | | |
| Passage of time | - | 10,000 |
| Legal diversity pipeline | 22,250 | - |
| Middle school program | 225,000 | - |
| Gross unconditional promises to give | 282,590 | 192,500 |
| Less: Discount for long-term pledges | 8,543 | - |
| Net unconditional promises to give | <u>\$ 274,047</u> | <u>\$ 192,500</u> |

Promises to give due in more than one year are recognized at fair value, using present value techniques and discount rates of approximately 5% based on risk adjusted credit ratings. These rates are adjusted annually based on the market.

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|-------------------|-------------------|
| <i>Amounts due:</i> | | |
| Less than one year | \$ 132,590 | \$ 192,500 |
| One to five years | 141,457 | - |
| Unconditional promises to give, net | <u>\$ 274,047</u> | <u>\$ 192,500</u> |

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018 (CONTINUED)

7. EQUIPMENT

A summary of the Organization's equipment as of August 31, 2019 and 2018 is as follows:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|-----------------|-----------------|
| Equipment | \$ 7,727 | \$ 7,727 |
| Less: accumulated depreciation | 4,700 | 3,156 |
| Total | <u>\$ 3,027</u> | <u>\$ 4,571</u> |

The total depreciation expense charged to operations for the years ended August 30, 2019 and 2018 was \$1,545 and \$1,546, respectively.

8. COMMITMENTS

The Organization entered into an agreement commencing August 1, 2014 for the lease of facilities in Northern New Jersey for programmatic educational meetings. The lease terminates on November 30, 2024 and includes a one-time five-year extension option.

The Organization entered into a service agreement for copying services commencing March 1, 2016 and terminating February 28, 2020. In December of 2019, the Organization entered into a new copier lease detailed in Note 15.

Future minimum payments due under all operating leases in effect at August 31, 2019 are as follows:

| | |
|------------|---------------------|
| 2020 | \$ 209,946 |
| 2021 | 210,144 |
| 2022 | 210,144 |
| 2023 | 210,144 |
| 2024 | 210,144 |
| Thereafter | <u>53,328</u> |
| | <u>\$ 1,103,850</u> |

Total expenses related to the Organization's long term commitments were \$208,454 and \$181,796 for the years ended August 31, 2019 and 2018, respectively.

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018 (CONTINUED)

9. NET ASSETS

Net assets with donor restrictions available at August 31, 2019 and 2018 are as follows:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| College bound | \$ - | \$ 97,000 |
| Family engagement | - | 167,615 |
| Legal diversity pipeline | 25,817 | 17,480 |
| Middle school program | 271,306 | - |
| Program support | 19,367 | - |
| Passage of time | - | 10,000 |
| Total net assets with donor restrictions | <u>\$ 316,490</u> | <u>\$ 292,095</u> |

Net assets released from donor imposed restrictions by satisfying the purpose for which they were donated are as follows:

| | <u>2019</u> | <u>2018</u> |
|------------------------------|-------------------|-------------------|
| College bound | \$ 84,000 | \$ 58,824 |
| College student support | 10,000 | - |
| Family engagement | 167,615 | 157,266 |
| Legal diversity pipeline | 31,163 | 12,520 |
| Mental health | - | 6,000 |
| Middle school program | 128,694 | - |
| Passage of time | 10,000 | 25,000 |
| Parent council | - | 1,000 |
| Program support | 80,633 | - |
| Strategic planning | 35,000 | - |
| Total restrictions satisfied | <u>\$ 547,105</u> | <u>\$ 260,610</u> |

10. DONATED SERVICES

During 2019, a law firm provided guidance on the Organization's contracts and policies. During 2018, a law firm assisted with the transition of the Organization's retirement plan further detailed in Note 12. Accordingly, these professional services were expensed through the following functional and natural classifications as of August 31, 2019 and 2018:

| <u>Functional Classification</u> | <u>Natural Classification</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------------|-----------------------------------|-------------|-------------|
| Program | Professional and Consulting | \$ 75,819 | \$ 39,046 |

11. DONATED FACILITIES

Seton Hall Law School provides space for the Organization's operations. The fair market value of the space provided is approximately \$50,000, which is included in non-cash contributions on the Statement of Activities. Additionally, Seton Hall Law School provides the Organization the shared use of copy machines, technical support and space for fundraising events and conferences.

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018 (CONTINUED)

12. FRINGE BENEFITS

The Organization's fringe benefit package is offered to all full-time employees who are regularly scheduled to work at least thirty-five hours per week. Benefits become effective immediately following the employee's date of hire. These benefits include medical and dental insurance, paid vacation, sick and/or personal days. For the years ended August 31, 2019 and 2018, the Organization expended \$85,334 and \$61,143, respectfully on fringe benefits.

On December 31, 2018, the Organization terminated the existing non-contributory 403(b) Plan and started a contributory, defined contribution Plan by offering a SIMPLE IRA. All full time employees who have attained one full year of service are eligible to receive the employer match of 3%. The Organization's retirement plan is in conformity with the Employee Retirement Income Security Act of 1974 and its successor legislation. For tax purposes, management believes that the plan is operating as a qualified plan, however at this time the Internal Revenue Service has not issued formal opinions on SIMPLE IRA plans. The Plan operates on a calendar year. For the year ended August 31, 2019, the Organization contributed \$11,683 into to the Plan. For the year ended August 31, 2018, no discretionary contributions were made by the Organization.

13. RELATED PARTY TRANSACTIONS

In exchange for non-cash donations detailed in Note 11, the Organization reserves a seat on the Board of Trustees for both a faculty member and the Dean of Seton Hall Law School amongst other acknowledgements.

14. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has in place various contractual commitments as detailed in Note 8. Total annual expenditures from those contracts are included in the general expenditures of the Organization. Unconditional promises to give are subject to implied purpose and time restrictions but are expected to be collected within three years.

Management anticipates meeting general expenditures within one year of the date of the statement of financial position with the funding provided by anticipated contributions from the general public.

The following reflects the Organization's financial assets as of August 31, 2019 and 2018, reduced by amounts not available for general use:

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Financial assets at year-end | \$ 2,583,304 | \$ 2,183,972 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Prepaid expenses | 37,973 | 31,914 |
| Donor-restricted funding | 316,490 | 292,095 |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 2,228,841</u> | <u>\$ 1,859,963</u> |

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018 (CONTINUED)

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2020, the date on which the financial statements were available to be issued, and have determined that except for the following, there are no subsequent events that require disclosure.

Commitments --- In December of 2019, the Organization entered into a new five lease agreement for a new copier. Total annual payments on the lease are \$4,752, paid monthly. These amounts have been included in the table provided in Note 8.

COVID-19 --- The Organization is evaluating the impact of COVID-19 and its pervasive impact to the overall economy and has determined it cannot reasonably estimate the financial impact, if any, on its operations, assets, and material accounting estimates at this time.