

NJ LEEP, INC.

Independent Auditors' Report and
Financial Statements for the
Ten Month Period Ended June 30, 2020

NJ LEEP, INC.

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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 June 30, 2020, and the related statements of activities, functional expenses and cash flows for the ten month period 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 June 30, 2020, and the changes in its net assets and its cash flows for the ten month period ended in accordance with accounting principles generally accepted in the United States of America.



Fairfield, New Jersey
March 19, 2021

NJ LEEP, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,762,289	\$ 146,355	\$ 1,908,644
Investments	672,034	-	672,034
Unconditional promises to give	154,153	85,000	239,153
Other receivables	254	-	254
Prepaid expenses	60,359	-	60,359
Total current assets	<u>2,649,089</u>	<u>231,355</u>	<u>2,880,444</u>
NON-CURRENT ASSETS:			
Equipment, net	1,481	-	1,481
Long term unconditional promises to give, net	-	72,115	72,115
Security deposit	14,875	-	14,875
Total non-current assets	<u>16,356</u>	<u>72,115</u>	<u>88,471</u>
 TOTAL ASSETS	 <u>\$ 2,665,445</u>	 <u>\$ 303,470</u>	 <u>\$ 2,968,915</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accrued expenses	\$ 89,088	\$ -	\$ 89,088
Compensated absences	71,500	-	71,500
Corrective contributions	23,206	-	23,206
Other payables	1,785	-	1,785
Deferred rent	22,542	-	22,542
Total current liabilities	<u>208,121</u>	<u>-</u>	<u>208,121</u>
 PAYCHECK PROTECTION PROGRAM LOAN	 <u>195,170</u>	 <u>-</u>	 <u>195,170</u>
 TOTAL LIABILITIES	 <u>\$ 403,291</u>	 <u>\$ -</u>	 <u>\$ 403,291</u>
NET ASSETS:			
Without donor restrictions	2,262,154	-	2,262,154
With donor restrictions	-	303,470	303,470
Total net assets	<u>2,262,154</u>	<u>303,470</u>	<u>2,565,624</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,665,445</u>	 <u>\$ 303,470</u>	 <u>\$ 2,968,915</u>

NJ LEEP, INC.**STATEMENT OF ACTIVITIES
FOR THE TEN MONTH PERIOD ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES:			
Special events	\$ 1,091,894	\$ -	\$ 1,091,894
Contributions	551,636	142,000	693,636
Non-cash contributions	31,170	-	31,170
Net assets released from restrictions			
Satisfaction of purpose restrictions	155,020	(155,020)	-
Total public support and revenues	1,829,720	(13,020)	1,816,700
EXPENSES AND LOSSES:			
Program services:			
Educate and empower urban youth	1,265,469	-	1,265,469
Total program services	1,265,469	-	1,265,469
Supporting services:			
Management and general	240,928	-	240,928
Fundraising	251,601	-	251,601
Total supporting services	492,529	-	492,529
Total expenses and losses	1,757,998	-	1,757,998
Changes in net assets before non-operating income	71,722	(13,020)	58,702
NON-OPERATING INCOME:			
Investment income	29,540	-	29,540
CHANGES IN NET ASSETS	101,262	(13,020)	88,242
NET ASSETS, BEGINNING OF YEAR	2,160,892	316,490	2,477,382
NET ASSETS, END OF YEAR	\$ 2,262,154	\$ 303,470	\$ 2,565,624

NJ LEEP, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE TEN MONTH PERIOD ENDED JUNE 30, 2020

	Program Services	Supporting Services		Total
	Educate and Empower Urban Youth	Management and General	Fundraising	
Personnel costs:				
Salaries and wages	\$ 707,476	\$ 140,358	\$ 140,172	\$ 988,006
Fringe benefits	57,079	25,930	15,592	98,601
Payroll taxes	73,818	13,146	14,157	101,121
Total personnel costs	<u>838,373</u>	<u>179,434</u>	<u>169,921</u>	<u>1,187,728</u>
Occupancy costs	184,242	15,058	39,965	239,265
Professional and consulting	66,203	35,165	4,362	105,730
Telephone, website and communications	56,668	5,490	9,212	71,370
Licenses and fees	32,682	32	3,662	36,376
Travel	18,146	104	1,295	19,545
Insurance	12,647	2,252	2,425	17,324
Meetings and conferences	13,273	1,543	2,415	17,231
Supplies	15,915	682	109	16,706
Postage, printing and reproduction	4,795		11,485	16,280
Equipment, repairs and maintenance	8,447	649	976	10,072
Scholarships, stipends and gifts	8,414	-	34	8,448
Advertising	708		5,495	6,203
Miscellaneous	3,828	318	28	4,174
Total expenses before depreciation	<u>1,264,341</u>	<u>240,727</u>	<u>251,384</u>	<u>1,756,452</u>
Depreciation	<u>1,128</u>	<u>201</u>	<u>217</u>	<u>1,546</u>
Total expenses	<u>\$ 1,265,469</u>	<u>\$ 240,928</u>	<u>\$ 251,601</u>	<u>\$ 1,757,998</u>

NJ LEEP, INC.

STATEMENT OF CASH FLOWS FOR THE TEN MONTH PERIOD ENDED JUNE 30, 2020

	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ 88,242
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,546
Unrealized (gain) on investments	(15,935)
(Increase) decrease in operating assets:	
Unconditional promises to give	(37,221)
Other receivables	(254)
Prepaid expenses	(22,386)
Increase (decrease) in operating liabilities:	
Accrued expenses	17,502
Compensated absences	53,069
Corrective contributions	23,206
Other payables	(4,176)
Deferred rent	(5,304)
Net cash provided by operating activities	<u>98,289</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(13,554)
Net cash (used in) investing activities	<u>(13,554)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from paycheck protection program loan	195,170
Net cash provided by financing activities	<u>195,170</u>
INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	279,905
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>1,628,739</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 1,908,644</u>

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE TEN MONTHS ENDED JUNE 30, 2020

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.

By a meeting of the Board of Trustees on June 24, 2019, the Organization’s fiscal year end was changed from August to June.

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 TEN MONTHS ENDED JUNE 30, 2020 (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 June 30, 2020 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 ten months ended June 30, 2020.

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 TEN MONTHS ENDED JUNE 30, 2020 (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 ten months ended June 30, 2020 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.

Compensated absences --- In accordance with the Organization's policy handbook, employees may carry over up to forty hours of accrued, unused paid sick time from one year to the next. Employees accrue time from September 1st to August 31st annually. Accrued, unused paid sick time will not be paid out at separation from employment. Additionally, employees may carry over up to five vacation days per year, with no accumulation.

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.

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE TEN MONTHS ENDED JUNE 30, 2020 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Revenue and support recognition (cont.) --- 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.

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 ten months ended June 30, 2020, 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 informational returns have been filed and all taxes, if any, 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 TEN MONTHS ENDED JUNE 30, 2020 (CONTINUED)

3. RISKS AND UNCERTAINTIES

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

The Organization deposits excess cash balances into an investment account. Per the Organization's investment policy, the assets purchased are mutual funds, traded in active markets for which daily closing prices are measured primarily on a net asset value basis. The value of these assets as of June 30, 2020 was \$672,034.

5. INVESTMENT INCOME

The cost basis and estimated fair value of investments held as available for sale by the Organization at June 30, 2020 are as follows:

	<u>Cost</u>	<u>Gross Unrealized Holdings Gains</u>	<u>Gross Unrealized Holdings Losses</u>	<u>Fair Value</u>
Mutual funds	\$ 625,515	\$ 50,245	\$ (3,726)	\$ 672,034

The composition of investment returns included in net assets without donor restrictions in the statement of activities for the ten months ended June 30, 2020, are as follows:

Dividends	\$ 13,605
Change in net unrealized gains	<u>15,935</u>
Total	<u>\$ 29,540</u>

6. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2020:

Promises without donor restrictions	\$ 154,153
Promises with donor restrictions:	
Stem program	10,000
Middle school program	<u>150,000</u>
Gross unconditional promises to give	314,153
Less: Discount for long-term pledges	<u>(2,885)</u>
Net unconditional promises to give	<u>\$ 311,268</u>

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE TEN MONTHS ENDED JUNE 30, 2020 (CONTINUED)

6. UNCONDITIONAL PROMISES TO GIVE (CONT.)

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.

<i>Amounts due:</i>	
Less than one year	\$ 239,153
One to five years	<u>72,115</u>
Unconditional promises to give, net	<u>\$ 311,268</u>

7. EQUIPMENT

A summary of the Organization's equipment as of June 30, 2020:

Equipment	\$ 7,727
Less: accumulated depreciation	<u>6,246</u>
Total	<u>\$ 1,481</u>

The total depreciation expense charged to operations for the ten months ended June 30, 2020 was \$1,546.

8. CORRECTIVE CONTRIBUTIONS

During the year, management became aware of certain operating deficiencies surrounding its SIMPLE IRA plan, detailed in Note 14. Management has provided an estimate of the required corrective contributions of \$23,206, which they anticipate correcting during the year ended June 30, 2021, through a self-correction program offered by the Department of Labor.

9. 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.

In December of 2019, the Organization entered into a five year lease agreement for a copier. Total annual payments on the lease are \$4,752, paid monthly.

Future minimum payments due under all operating leases in effect at June 30, 2020 are as follows:

2021	\$ 209,352
2022	210,144
2023	210,144
2024	210,144
2025	<u>89,144</u>
	<u>\$ 928,928</u>

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE TEN MONTHS ENDED JUNE 30, 2020 (CONTINUED)

9. COMMITMENTS (CONT.)

Total expenses related to the Organization's long term commitments were \$209,154 for the ten months ended June 30, 2020.

10. PAYCHECK PROTECTION PROGRAM LOAN

On April 20, 2020 the Organization obtained a Paycheck Protection Program loan in the amount of \$195,170, pursuant to the terms of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") enacted March 27, 2020. So long as the Organization incurs certain qualifying expenses, they may apply for the loan to be forgiven by the Small Business Administration ("SBA"). Any loan balance remaining following forgiveness by the SBA will be fully amortized over the remaining term of the loan. Unless otherwise forgiven, the loan is due April 20, 2022. Interest is specified at a rate of 1%. The funding is uncollateralized. As of June 30, 2020, the Organization has included in long term liabilities \$195,170, the total amount of the loan. Management expects the entire amount will be forgiven and in accordance with the provisions provided by the AICPA, has chosen to recognize the revenue when it has been legally forgiven.

11. NET ASSETS

Net assets with donor restrictions available at June 30, 2020:

Middle school program	\$	226,470
Passage of time		50,000
College bound		27,000
Total net assets with donor restrictions	\$	<u>303,470</u>

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

Middle school program	\$	44,836
College student success		35,000
College bound		30,000
Legal diversity pipeline		25,817
Passage of time		19,367
Total restrictions satisfied	\$	<u>155,020</u>

12. RELATED PARTY TRANSACTIONS

Seton Hall Law School provides space for the Organization's operations, included in occupancy expenses as a component of non-cash contributions as detailed in Note 13. In exchange for the use of the facility, 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.

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE TEN MONTHS ENDED JUNE 30, 2020 (CONTINUED)

13. NON-CASH CONTRIBUTIONS

Non-cash contributions were provided to the Organization and recognized as revenue on the Statement of Activities for the year ended June 30, 2020 and were allocated based on their functional and natural classifications on the Statement of Functional Expenses as follows:

<u>Functional Classification</u>	<u>Natural Classification</u>	<u>Amount</u>
Program	Occupancy	\$ 15,000
Program	Professional and consulting	12,255
Program	Supplies	<u>3,915</u>
	Total	<u>\$ 31,170</u>

14. 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 ten months ended June 30, 2020, the fringe benefits paid by the Organization was \$55,722.

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. Employees are eligible to defer contributions and receive the 3% employer match, immediately upon hire. 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 (except as detailed in Note 8), however at this time the Internal Revenue Service has not issued formal opinions on SIMPLE IRA plans. The Plan operates on a calendar year basis. For the ten months ended June 30, 2020, the Organization contributed \$42,879 into to the Plan, of which \$23,206 were corrective contributions. As of the Plan year ended December 31, 2019, there were no discretionary contributions made by the Organization.

15. 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 9. 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.

NJ LEEP, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE TEN MONTHS ENDED JUNE 30, 2020 (CONTINUED)

15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONT.)

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 June 30, 2020, reduced by amounts not available for general use:

Financial assets at year-end	\$	2,880,444
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted funding		303,470
Prepaid expenses		<u>60,359</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u>2,516,615</u>

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 19, 2021, 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.

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.