

NJ LEEP, INC.
Financial Statements
June 30, 2023
(With Summarized Comparative Information for June 30, 2022)
With Independent Auditor's Report

NJ LEEP, Inc.
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June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NJ LEEP, Inc.:

Opinion

We have audited the financial statements of NJ LEEP, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NJ LEEP, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 2, the Organization adopted Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Matters – Prior Auditor and Report on Summarized Comparative Information

The Organization's financial statements as of and for the year ended June 30, 2022 were audited by other auditors whose report dated March 31, 2023 expressed an unmodified opinion on the financial statements.

The summarized comparative information presented herein as of and for the year ended June 30, 2022 was derived from the financial statements of the Organization as of June 30, 2022, which were audited by other auditors whose report dated March 31, 2023, expressed an unmodified opinion on those statements.



February 27, 2024

NJ LEEP, Inc.
Statement of Financial Position
June 30, 2023 (With Summarized Comparative Totals as of June 30, 2022)

	June 30, 2023			June 30, 2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 1,527,094	\$ 492,448	\$ 2,019,542	\$ 2,132,920
Investments	803,054	-	803,054	727,150
Unconditional promises to give	299,900	50,000	349,900	378,525
Grants receivable	-	-	-	2,250
Prepaid expenses	<u>34,353</u>	<u>-</u>	<u>34,353</u>	<u>154,418</u>
Total current assets	<u>2,664,401</u>	<u>542,448</u>	<u>3,206,849</u>	<u>3,395,263</u>
Noncurrent assets				
Long-term unconditional promises to give, net current portions	-	40,401	40,401	84,487
Property and equipment, net	113,905	-	113,905	82,677
Right-of-use asset, operating	2,895,956	-	2,895,956	-
Security deposit	<u>178,703</u>	<u>-</u>	<u>178,703</u>	<u>-</u>
Total noncurrent assets	<u>3,188,564</u>	<u>40,401</u>	<u>3,228,965</u>	<u>167,164</u>
Total assets	<u>\$ 5,852,965</u>	<u>\$ 582,849</u>	<u>\$ 6,435,814</u>	<u>\$ 3,562,427</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable	\$ 42,997	\$ -	\$ 42,997	\$ 41,298
Accrued expenses	183,203	-	183,203	156,794
Corrective contributions	2,762	-	2,762	2,762
Lease liability, operating - current	<u>258,279</u>	<u>-</u>	<u>258,279</u>	<u>-</u>
Total current liabilities	487,241	-	487,241	200,854
Lease liability, operating - noncurrent	<u>2,887,919</u>	<u>-</u>	<u>2,887,919</u>	<u>-</u>
Total liabilities	<u>3,375,160</u>	<u>-</u>	<u>3,375,160</u>	<u>200,854</u>
Net assets				
Without donor restrictions	2,477,805	-	2,477,805	2,929,486
With donor restrictions	<u>-</u>	<u>582,849</u>	<u>582,849</u>	<u>432,087</u>
Total net assets	<u>2,477,805</u>	<u>582,849</u>	<u>3,060,654</u>	<u>3,361,573</u>
Total liabilities and net assets	<u>\$ 5,852,965</u>	<u>\$ 582,849</u>	<u>\$ 6,435,814</u>	<u>\$ 3,562,427</u>

The Notes to Financial Statements are an integral part of this statement.

NJ LEEP, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2023
(With Summarized Comparative Totals for the Year Ended June 30, 2022)

	<u>June 30, 2023</u>			<u>June 30, 2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Support and revenues				
Contributions	\$ 954,891	\$ 688,000	\$ 1,642,891	\$ 935,301
Special events	974,720	-	974,720	1,296,941
Contributions of nonfinancial assets	694,982	-	694,982	115,575
Government funded assistance	-	-	-	15,000
Net assets released from restrictions	<u>537,238</u>	<u>(537,238)</u>	<u>-</u>	<u>-</u>
 Total support and revenues	 <u>3,161,831</u>	 <u>150,762</u>	 <u>3,312,593</u>	 <u>2,362,817</u>
Expenses				
Program services				
Educate and empower urban youth	<u>2,517,822</u>	<u>-</u>	<u>2,517,822</u>	<u>1,845,782</u>
Supporting services				
Management and general	603,965		603,965	342,416
Fundraising	<u>575,972</u>	<u>-</u>	<u>575,972</u>	<u>314,005</u>
Total supporting services	<u>1,179,937</u>	<u>-</u>	<u>1,179,937</u>	<u>656,421</u>
 Total expenses	 <u>3,697,759</u>	 <u>-</u>	 <u>3,697,759</u>	 <u>2,502,203</u>
Changes in net assets before nonoperating activities	<u>(535,928)</u>	<u>150,762</u>	<u>(385,166)</u>	<u>(139,386)</u>
Nonoperating activities				
Net investment return	75,747	-	75,747	(110,660)
Gain on noncash contributions	<u>8,500</u>	<u>-</u>	<u>8,500</u>	<u>8,720</u>
Total nonoperating activities	<u>84,247</u>	<u>-</u>	<u>84,247</u>	<u>(101,940)</u>
Changes in net assets	(451,681)	150,762	(300,919)	(241,326)
Net assets				
Beginning of year	<u>2,929,486</u>	<u>432,087</u>	<u>3,361,573</u>	<u>3,602,899</u>
End of year	<u>\$ 2,477,805</u>	<u>\$ 582,849</u>	<u>\$ 3,060,654</u>	<u>\$ 3,361,573</u>

The Notes to Financial Statements are an integral part of this statement.

NJ LEEP, Inc.

Statement of Functional Expenses

Year Ended June 30, 2023 (With Summarized Comparative Totals for the Year Ended June 30, 2022)

	<u>June 30, 2023</u>				<u>June 30, 2022</u>
	<u>Program Services</u>	<u>Supporting Services</u>			
	<u>Educate and Empower Urban Youth</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries	\$ 1,090,247	\$ 313,723	\$ 204,412	\$ 1,608,382	\$ 1,303,314
Fringe benefits	114,390	33,375	22,854	170,619	127,907
Payroll taxes	116,156	37,972	22,695	176,823	139,441
Total personnel costs	1,320,793	385,070	249,961	1,955,824	1,570,662
Professional and consulting	559,814	145,028	249,744	954,586	451,320
Occupancy costs	113,594	10,167	7,425	131,186	250,670
Lease expense	245,275	23,032	16,823	285,130	-
Scholarships, stipends, and gifts	63,544	-	-	63,544	43,246
Equipment, repairs, and maintenance	42,554	11,356	8,216	62,126	55,818
Telephone, website, and communications	56,582	5,785	19,954	82,321	54,019
Insurance	21,556	6,204	4,235	31,995	26,866
Supplies	13,873	515	2,775	17,163	17,817
Postage, printing, and reproduction	8,357	5,992	8,562	22,911	14,542
Meetings and conferences	18,121	2,205	752	21,078	8,557
Licenses and fees	1,169	79	4,090	5,338	3,767
Miscellaneous	2,741	-	-	2,741	3,792
Travel	39,103	-	1,018	40,121	1,127
Total expenses before depreciation	2,507,076	595,433	573,555	3,676,064	2,502,203
Depreciation	10,746	8,532	2,417	21,695	-
Total expenses	\$ 2,517,822	\$ 603,965	\$ 575,972	\$ 3,697,759	\$ 2,502,203

The Notes to Financial Statements are an integral part of this statement.

NJ LEEP, Inc.
Statement of Cash Flows
Year Ended June 30, 2023
(With Summarized Comparative Totals for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Operating activities		
Changes in net assets	\$ (300,919)	\$ (241,326)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	21,695	-
Unrealized losses (gains) on investments	(59,174)	130,370
Amortization of right-of-use asset	203,860	-
Changes in operating assets and liabilities		
Unconditional promises to give	72,711	2,783
Grants receivable	2,250	176
Prepaid expenses	120,065	(92,476)
Security deposit	(178,703)	14,875
Accounts payable	1,699	33,476
Accrued expenses	26,409	13,378
Corrective contributions	-	(6,525)
Lease liability, operating	46,382	-
Deferred rent	-	(17,238)
Net cash used in operating activities	<u>(43,725)</u>	<u>(162,507)</u>
Investing activities		
Purchase of investments	(16,730)	(19,651)
Purchase of property and equipment	<u>(52,923)</u>	<u>(82,677)</u>
Net cash used in investing activities	<u>(69,653)</u>	<u>(102,328)</u>
Net change in cash and cash equivalents	(113,378)	(264,835)
Cash and cash equivalents		
Beginning of year	<u>2,132,920</u>	<u>2,397,755</u>
End of year	<u>\$ 2,019,542</u>	<u>\$ 2,132,920</u>
Noncash activities		
Right-of-use assets obtained through operating lease liabilities	<u>\$ 3,086,913</u>	<u>-</u>

The Notes to Financial Statements are an integral part of this statement.

NJ LEEP, Inc.
Notes to Financial Statements
June 30, 2023 (With Summarized Comparative Information for June 30, 2022)

1. ORGANIZATION

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 nonprofit 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 Presentation

The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (“US GAAP”). Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Prior-Year Summarized Comparative Information

Information as of and for the year ended June 30, 2022 is presented for comparative purposes only. Certain activity by net asset classification in the statement of activities and changes in net assets and statement of functional expenses is not included in this report. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements as of and for the year ended June 30, 2022, from which the summarized comparative information was derived.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for federal income taxes. The Organization follows the pronouncement related to income taxes. There were no uncertain tax positions at June 30, 2023 and 2022. The Organization did not have any income tax related penalties or interest for the periods presented in these financial statements.

Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include contributions of nonfinancial assets (see Note 9) and useful lives used to calculate depreciation expense related to property and equipment (see Note 2).

Intermediate Measure of Operations

The accompanying statement of activities and changes in net assets distinguish between operating and nonoperating activities. Operating activities principally include all revenues and expenses that are an integral part of the Organization's programs and supporting activities. Nonoperating activities principally include net investment return on investments and activities that are considered to be of a nonrecurring nature and items that are generally not an integral part to the Organization's programs and supporting activities, which include nonrecurring activities.

Contribution Revenue

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received or pledged. Conditional promises to give, that is, those with a measurable performance or other measurable barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met.

Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized.

Contributions of Nonfinancial Assets

The Organization receives various donated goods and services including professional and consulting services and auction items. Donated goods and services are reported as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. Contributions of nonfinancial assets are valued based upon estimates of fair market or wholesale values that would be received for selling the goods in their principal market considering their condition and utility for use at the time the goods are contributed by the donor. Donated goods that are sold to the public or used in fundraising are reported as revenue at the cash value received in the exchange at the time of sale, with the resulting nonoperating gain or loss being the difference between the fair value received from the donor and the cash received at the time of the sale. Alternatively, if a nonfinancial asset is used internally and otherwise not sold, the revenue is offset by the asset or related expense.

Special Events

Special event revenue comprises an exchange element, based on the benefits received, and a contribution element for the difference and is treated as revenue without donor restrictions. The Organization does not have any significant financing components, as payment is received at or shortly after the point of sale. The contribution portion is recognized as a conditional contribution when received and reported as a refundable advance on the statement of financial position and is recognized as revenue when the condition is met, which is generally the date when the event takes place. For the exchange portion, funds received in advance of the event date are recorded as contract liabilities in the statement of financial position. Revenue from the exchange portion is recognized at a point in time, which is the date the event is held. Special events revenue is presented net of the direct costs of the event. For the years ended June 30, 2023 and 2022, direct costs netted in special events revenue were \$6,750 and \$5,310, respectively.

NJ LEEP, Inc.

Notes to Financial Statements

June 30, 2023 (With Summarized Comparative Information for June 30, 2022)

Unconditional Promises to Give and Grants Receivable

The Organization records unconditional promises to give and grants receivable that are expected to be collected within one year at the net realizable value. Grants and contributions receivable with expected collection past one year are recorded at net present value using risk-free rates applicable to the years in which the promises are received. The Organization monitors the collectability of these receivables, and an allowance for uncollectable promises to give is recorded based on historical experience, an assessment of economic conditions, and a review of subsequent collections. The Organization has determined that no allowance for uncollectible accounts was necessary at June 30, 2023 and 2022.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with a maturity date of three months or less on the date of acquisition.

Cash and Cash Equivalents with Donor Restrictions

Restricted cash is the portion of cash that will be used to cover expenditures that have been purpose restricted by the donor and is maintained in a separate bank account.

Investments

The Organization is invested in equity securities. Investments in equity securities are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

Fair Value Measurements

The Organization has reviewed investments within the framework for measuring fair value that establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs that are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (the unobservable inputs should be developed based on the best information available in the circumstances and may include the Organization's own data).

NJ LEEP, Inc.

Notes to Financial Statements

June 30, 2023 (With Summarized Comparative Information for June 30, 2022)

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. Improvements that extend the nature of the useful life of the asset are capitalized. Expenditures for maintenance, repairs, and renewals of minor items are charged to earnings as incurred. The costs 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 and changes in net assets.

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>Description</u>	<u>Estimated Life (Years)</u>
Equipment	5
Leasehold improvements	10*

* These should be amortized over the shorter of the lease term or the useful life.

Valuation of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. The Organization has determined that no assessment was required for the periods presented in these financial statements.

Security Deposit

Security deposit represents funds paid to a landlord which are held until a lease expires or is terminated. The Organization does not classify these assets as restricted cash for purposes of the statement of cash flows.

Leases

The Organization categorizes leases with contractual terms longer than 12 months as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statement of financial position.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. The services are accounted for separately, and the Organization allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on a risk-free rate. Right-of-use assets are recognized based on the initial present value of the fixed lease payments, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

NJ LEEP, Inc.
Notes to Financial Statements
June 30, 2023 (With Summarized Comparative Information for June 30, 2022)

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Finance lease assets are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term.

Compensated Absences

In accordance with the Organization's policy handbook, employees may carry over up to 40 hours of accrued, unused paid sick time from one year to the next. Employees accrue time from September to August 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. Accrued vacation balance as of June 30, 2023 and 2022 is \$76,725 and \$62,331 respectively.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and detailed in the statement of functional expenses. Accordingly, certain costs have been allocated among program services, management and general, and fundraising functions. Allocated expenditures include salaries, which are allocated on the basis of estimates of time and effort, supported by timesheets and time analysis. Other expenses allocated based on payroll include fringe benefits, payroll taxes, professional and consulting, occupancy, equipment, repairs and maintenance, telephone, website and communication, insurance, supplies, postage, printing and reproduction, meetings and conferences, and license and fees.

New Accounting Pronouncement Adopted in Current Year

Leases

During 2023, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases*, using the retrospective approach. The Organization has elected to apply the provisions of this standard to the beginning of the earlier comparative period presented. The Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. There was no significant financial impact as a result of adoption of this standard.

Upon adoption, the Organization recognized \$12,903 in right-of-use assets related to its leased property. Corresponding lease liabilities of \$12,903 were also recognized. There was no cumulative effect of applying the new standard, and accordingly, there was no adjustment to net assets upon adoption.

NJ LEEP, Inc.
Notes to Financial Statements
June 30, 2023 (With Summarized Comparative Information for June 30, 2022)

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of liabilities, were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 2,019,542	\$ 2,132,920
Investments	803,054	727,150
Unconditional promises to give	349,900	378,525
Grants receivable	-	2,250
Total financial assets	<u>3,172,496</u>	<u>3,240,845</u>
Less: Net assets with donor restrictions	<u>582,849</u>	<u>432,087</u>
 Total financial assets and liquidity resources available to meet cash needs within one year for general expenditure	 <u>\$ 2,589,647</u>	 <u>\$ 2,808,758</u>

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 become due. 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 public.

4. INVESTMENTS AND FAIR VALUE

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 following summarizes the market value and cost of investments at June 30:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market (Level 1)</u>	<u>Cost</u>	<u>Market (Level 1)</u>
Mutual funds	\$ 662,135	\$ 803,054	\$ 660,800	\$ 727,150

Net investment return consisted of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Dividends	\$ 16,730	\$ 19,238
Realized gains	-	472
Unrealized gains (losses)	<u>59,017</u>	<u>(130,370)</u>
	<u>\$ 75,747</u>	<u>\$ (110,660)</u>

NJ LEEP, Inc.
Notes to Financial Statements
June 30, 2023 (With Summarized Comparative Information for June 30, 2022)

5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Promises to give expected to be collected		
In one year or less	\$ 349,900	\$ 378,525
Between one and five years	<u>50,000</u>	<u>100,000</u>
	399,900	478,525
Less: Discount to present value	<u>(9,599)</u>	<u>(15,513)</u>
	<u>\$ 390,301</u>	<u>\$ 463,012</u>

The estimated present value of the future cash flows was determined using a discount rate of 7%.

6. PROPERTY AND EQUIPMENT

Property and equipment are composed of the following at June 30:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 32,787	\$ -
Office equipment	102,813	82,677
Computer equipment	<u>7,726</u>	<u>7,726</u>
	143,326	90,403
Less: Accumulated depreciation	<u>29,421</u>	<u>7,726</u>
	<u>\$ 113,905</u>	<u>\$ 82,677</u>

The total depreciation expense charged to operations for the years ended June 30, 2023 and 2022 was \$21,695 and \$0, respectively.

7. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statement of activities and changes in net assets included the following for the years ended June 30:

<u>Nonfinancial Contributions Category</u>	<u>Type of Contribution</u>	<u>Valuation</u>	<u>2023</u>	<u>2022</u>
Professional and consulting fees	Legal and consulting services	Third-party estimates using billing rates in like circumstances	\$ 684,232	\$ 98,845
Donated goods	Auction items and other	Comparable products	<u>10,750</u>	<u>16,730</u>
			<u>\$ 694,982</u>	<u>\$ 115,575</u>

NJ LEEP, Inc.**Notes to Financial Statements****June 30, 2023 (With Summarized Comparative Information for June 30, 2022)**

The Organization recognized contributed nonfinancial assets within revenue, including professional and consulting services and auction items. Contributed nonfinancial assets did not have donor-imposed restrictions. Professional and consulting fees were allocated between program, management and general, and fundraising in the amounts of \$427,578, \$67,654, and \$189,000, respectively.

For the year ended June 30, 2023, noncash contributions valued at \$10,750 were sold at fundraising events for \$19,250 the night of each event. Accordingly, a gain of \$8,500 has been recognized on the statement of activities in nonoperating activities. For the year ended June 30, 2022, noncash contributions valued at \$16,730 were sold at fundraising events for \$25,450 the night of each event. Accordingly, a gain of \$8,720 has been recognized on the statement of activities in nonoperating activities.

8. LEASE COMMITMENTS

The Organization leases property and equipment under leases that expire through September 2032. These leases provide for minimum annual rental payments, real estate taxes, and other costs. The renewal options have not been included in the lease liability calculation, since it is not reasonably certain that they will be exercised, based on general uncertainties that come with the passage of time.

Because the rates implicit in the leases are generally not available, the Organization the utilizes risk-free rate as the discount rate. The weighted average discount rate associated with the operating leases as of June 30, 2023, is 3.48%. The weighted average remaining term of the operating leases is 9.2 years. Operating lease expense for the year ended June 30, 2023, amounted to \$285,130. Cash paid for amounts included in the measurement of the operating leases was \$34,889 as of June 30, 2023.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liability as of June 30, 2023:

2024	\$	362,511
2025		338,004
2026		342,215
2027		348,820
2028		423,427
Thereafter		<u>1,893,271</u>
		3,708,248
Less: Imputed interest		<u>(562,050)</u>
Lease liability	\$	<u><u>3,146,198</u></u>

Future minimum payments due under all operating leases in effect at June 30, 2022 are as follows:

2023	\$	4,752
2024		<u>2,376</u>
	\$	<u><u>7,128</u></u>

NJ LEEP, Inc.
Notes to Financial Statements
June 30, 2023 (With Summarized Comparative Information for June 30, 2022)

9. NET ASSETS

Net assets with donor restrictions are available as follows at June 30:

	<u>2023</u>	<u>2022</u>
Middle school program	\$ -	\$ 75,000
Diversity, equity, and inclusion program	42,349	100,164
Instructional program manager and strategic planning	175,000	61,923
College application program	20,000	20,000
Legal diversity pipeline	50,000	-
Legal education	16,000	-
College student success	10,000	-
STEM for Middle School Program ("MSP")	10,000	-
Summer program	24,500	-
Office furniture and equipment	-	25,000
Passage of time	<u>235,000</u>	<u>150,000</u>
Total net assets with donor restrictions	<u>\$ 582,849</u>	<u>\$ 432,087</u>

Net assets released from donor-imposed restrictions by satisfying the purpose for which they were donated are as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Middle school program	\$ 90,000	\$ 125,000
College student success	35,000	55,000
College application program	20,000	17,000
College bound	10,000	65,000
High school program	10,000	15,000
Instructional program manager and strategic planning	61,923	38,077
Legal diversity pipeline	40,000	40,000
Legal education	12,000	-
Diversity, equity, and inclusion program	57,815	143,244
STEM for MSP	2,500	15,000
STEM for MSP and High School Program ("HSP")	10,000	10,000
Summer law institute fellows	28,000	25,000
Summer program	-	35,000
Furniture and equipment for new office	25,000	-
Passage of time	<u>135,000</u>	<u>102,100</u>
Total restrictions satisfied	<u>\$ 537,238</u>	<u>\$ 685,421</u>

NJ LEEP, Inc.
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10. FRINGE BENEFITS

The Organization's fringe benefit package is offered to all full-time employees who are regularly scheduled to work at least 35 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 June 30, 2023 and 2022, the fringe benefits paid by the Organization were \$137,889 and \$97,109, respectively.

The Organization has a SIMPLE IRA. Employees are eligible to defer contributions, and the Plan offers a 3% mandatory employer match, whereby eligibility begins 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 years ended June 30, 2023 and 2022, the Organization contributed \$32,702 and \$30,797 into to the Plan, respectively.

11. RELATED PARTIES

The Organization received contributions from board members totaling approximately \$159,000 and \$136,000 for the years ended June 30, 2023 and 2022, respectively.

The Organization paid consulting fees to a company related to a board member of \$35,200 and \$43,680 for the years ended June 30, 2023 and 2022, respectively.

12. CONCENTRATIONS OF CREDIT RISK

Cash and Cash Equivalents

The Organization has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of operations, and cash flows.

Investments

The Organization invests in conservative instruments which mainly comprise publicly traded mutual funds. The Organization's investments are exposed to various risks, such as fluctuations in market value and interest rate and credit risks. Thus, it is at least reasonably possible that changes in the near term could affect investment balances and the amounts reported in the financial statements.

13. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of February 27, 2024, the date the financial statements were available for release. Based upon this evaluation, the Organization has not identified any subsequent events requiring adjustment to or disclosure in the financial statements.