

**NORTHWEST NEW JERSEY
COMMUNITY ACTION PROGRAM, INC.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**



SobelCo
Certified Public Accountants & Advisors

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**

AUGUST 31, 2022 AND 2021

CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-2
Financial Statements:	
Consolidated Statements of Financial Position.....	3
Consolidated Statement of Activities and Changes in Net Assets.....	4
Consolidated Statement of Functional Expenses.....	5
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7-24

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Northwest New Jersey Community Action Program, Inc. and Subsidiaries
Phillipsburg, New Jersey

Opinion

We have audited the accompanying consolidated financial statements of Northwest New Jersey Community Action Program, Inc. ("Norwescap") (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of August 31, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Norwescap and Subsidiaries as of August 31, 2022, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Norwescap and Subsidiaries 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 opinions.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Norwescap and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Norwescap and Subsidiaries' 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.

and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements.

Report on Summarized, Comparative Information

We have previously audited Norwescap's fiscal year 2021 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated February 24, 2022. In our opinion, the summarized, comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Certified Public Accountants

Livingston, New Jersey
January 26, 2023

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

ASSETS	August 31,	
	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,860,634	\$ 3,545,063
Grants receivable	2,196,912	2,070,227
Inventory and other assets	94,081	14,487
Investments	232,349	119,202
Due from related party	21,104	201,117
Total Current Assets	<u>7,405,080</u>	<u>5,950,096</u>
 PROPERTY AND EQUIPMENT, Net	 2,155,150	 1,152,040
 RESTRICTED DEPOSITS	 298,650	 298,640
	<u>\$ 9,858,880</u>	<u>\$ 7,400,776</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,835,555	\$ 1,249,095
Advances from grantors	1,637,060	928,093
Total Current Liabilities	<u>3,472,615</u>	<u>2,177,188</u>
 COMMITMENTS AND CONTINGENCIES		
 NET ASSETS:		
Without donor restrictions:		
Operating	4,886,121	3,665,222
Total net assets without donor restrictions	<u>4,886,121</u>	<u>3,665,222</u>
With donor restrictions:		
Restricted for specified purpose	1,500,144	1,558,366
Total Net Assets	<u>6,386,265</u>	<u>5,223,588</u>
	<u>\$ 9,858,880</u>	<u>\$ 7,400,776</u>

NORTHWEST NEW JERSEY COMMUNITY ACTION PROGRAM, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEAR ENDED AUGUST 31, 2022

(With Summarized, Comparative Totals for the Year Ended August 31, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUE:				
Grants and contracts	\$ 20,922,167	\$ -	\$ 20,922,167	\$ 19,031,152
Contributions, fees, rents, and other	1,742,254	20,042	1,762,296	1,766,002
Special events	120	-	120	8,298
Contributed services	2,056,869	-	2,056,869	1,471,368
Interest and dividends	906	-	906	677
Unrealized and realized (loss) gain	(36,858)	-	(36,858)	11,234
Net assets released from restrictions	78,264	(78,264)	-	-
Total public support and revenue	<u>24,763,722</u>	<u>(58,222)</u>	<u>24,705,500</u>	<u>22,288,731</u>
EXPENSES:				
Program services:				
Child enrichment	13,274,575	-	13,274,575	12,199,322
Community action	8,641,758	-	8,641,758	7,933,196
Total program services	<u>21,916,333</u>	<u>-</u>	<u>21,916,333</u>	<u>20,132,518</u>
Management and general	1,626,490	-	1,626,490	1,290,644
Total expenses	<u>23,542,823</u>	<u>-</u>	<u>23,542,823</u>	<u>21,423,162</u>
CHANGES IN NET ASSETS	1,220,899	(58,222)	1,162,677	865,569
NET ASSETS - Beginning of year	<u>3,665,222</u>	<u>1,558,366</u>	<u>5,223,588</u>	<u>4,793,576</u>
Transfer of net assets to Sussex Seniors	-	-	-	(435,557)
NET ASSETS - End of year	<u>\$ 4,886,121</u>	<u>\$ 1,500,144</u>	<u>\$ 6,386,265</u>	<u>\$ 5,223,588</u>

The accompanying notes are an integral part of these consolidated financial statements.

NORTHWEST NEW JERSEY COMMUNITY ACTION PROGRAM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2022

(With Summarized, Comparative totals for the Year Ended August 31, 2021)

	Program Services			Supporting Services	2022 Total	2021 Total
	Child Enrichment	Community Action	Total Program Services	Management and General		
Personnel	\$ 7,164,101	\$ 3,423,597	\$ 10,587,698	\$ 1,094,853	\$ 11,682,551	\$ 10,646,500
Fringe benefits	2,095,988	912,496	3,008,484	287,765	3,296,249	3,293,613
Total Personnel and Fringe Benefits	9,260,089	4,336,093	13,596,182	1,382,618	14,978,800	13,940,113
Contributed services	2,056,869	-	2,056,869	-	2,056,869	1,471,368
Consultant/contractual	181,210	488,224	669,434	82,762	752,196	611,284
Travel and transportation	70,025	72,116	142,141	4,041	146,182	98,829
Rents/space	1,058,969	469,607	1,528,576	38,313	1,566,889	1,170,532
Consumable supplies	389,352	403,510	792,862	61,430	854,292	817,546
Equipment	20,111	102,087	122,198	-	122,198	182,193
Communications	46,950	105,802	152,752	11,475	164,227	164,866
Insurance	74,517	98,346	172,863	18,650	191,513	156,682
Client assistance	41,015	2,234,734	2,275,749	-	2,275,749	2,475,318
Other costs	31,914	212,909	244,823	27,201	272,024	193,692
Bad debt expense	-	-	-	-	-	7,698
Total Expenses Before Depreciation	13,231,021	8,523,428	21,754,449	1,626,490	23,380,939	21,290,121
Depreciation	43,554	118,330	161,884	-	161,884	133,041
Total Expenses	\$ 13,274,575	\$ 8,641,758	\$ 21,916,333	\$ 1,626,490	\$ 23,542,823	\$ 21,423,162

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended August 31,	
	2022	2021
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 1,162,677	\$ 865,569
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	161,884	133,041
Bad debt expense	-	7,698
Unrealized and realized loss (gain)	36,858	(11,234)
Donated stock investment	(149,954)	(103,598)
Changes in operating assets and liabilities:		
Grants receivable	(126,685)	(207,569)
Inventory and other assets	(79,594)	59,584
Due from related party	180,013	(252,740)
Accounts payable and accrued expenses	586,460	(332,382)
Advances from grantors	708,967	641,488
Security deposit payable	-	(13,042)
Net Cash Provided by Operating Activities	<u>2,480,626</u>	<u>786,815</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of equipment	(1,164,994)	(187,040)
Proceeds from sale of investments	-	106,721
Interest reinvested	(51)	(261)
Purchase of certificate of deposit	-	(100,000)
Net Cash Used for Investing Activities	<u>(1,165,045)</u>	<u>(180,580)</u>
 NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED DEPOSITS	 1,315,581	 606,235
BEGINNING OF YEAR	<u>3,843,703</u>	<u>3,237,468</u>
END OF YEAR	<u>\$ 5,159,284</u>	<u>\$ 3,843,703</u>
 Noncash transfer of net assets (Note 3)	 \$ -	 \$ (435,557)

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES:

The Northwest New Jersey Community Action Program, Inc. ("Norwescap" or "Organization") is a private, not-for-profit organization incorporated in 1965, under the laws of the state of New Jersey. Norwescap is a community action agency whose operating purpose is to aggregate federal and state government financial assistance and to provide community services that include the following programs: Child Enrichment, Nutrition and Health, Employment and Economic Development, Housing Emergency, Information and Referral, and Volunteer Services. Norwescap is substantially dependent on federal financial assistance and financial assistance from the state of New Jersey. Funding is received for various periods of time which do not necessarily coincide with Norwescap's fiscal year.

The Norwescap Holding Company, Inc. ("Holding Company") is a not-for-profit organization incorporated in 1994, under the laws of the state of New Jersey as a 501(c)(2) organization. The Holding Company was organized to hold title for certain real estate.

The Northwest New Jersey Echo Housing Corporation ("ECHO") is a not-for-profit organization incorporated in 1994, under the laws of the state of New Jersey as a 501(c)(3) organization. ECHO was organized to provide modular housing units to qualified elderly persons. The project consists of seven units which are attached to the house utilities infrastructure of related sponsors, resulting in Elderly Cottage Housing Opportunities. The project operates under Section 202 of the National Housing Act and is regulated by the U.S. Department of Housing and Urban Development ("HUD") with respect to rental charges and operating methods.

ECHO is required to comply with the capital funding regulations of HUD, which require the formation of a separate, single-asset corporation to hold title to HUD-funded property and equipment, and record the revenue and expenses related to the maintenance of the property. ECHO has transferred six modular housing units to nonprofit organizations. The one remaining modular housing unit was destroyed. ECHO received approval from HUD in regards to this process.

The Sussex Seniors Urban Renewal Affordable Housing Non-Profit Corporation, Inc. ("Sussex Seniors") is a not-for-profit organization incorporated in 1995, under the laws of the state of New Jersey as a 501(c)(3) organization. Sussex Seniors was organized to acquire, develop and manage the redevelopment and relocation housing project in Sussex Borough, New Jersey. Sussex Seniors manages 11 affordable housing units dedicated for low-income senior citizens, and a commercial space of 5,356 sq. ft. located on Main Street, Sussex, New Jersey. As of September 1, 2020, Sussex Seniors was deconsolidated from the Organization's consolidated financial statements. See Note 3.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The consolidated financial statements of Norwescap have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Norwescap and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets 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. Also included in this classification are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Principles of Consolidation:

The consolidated financial statements include the accounts for Norwescap, Holding Company, Sussex Seniors, and ECHO (collectively, "Norwescap entities"). All of the entities are under common control. All significant intercompany balances and transactions have been eliminated in consolidation. Sussex Seniors has elected to report its activities on a calendar-year basis ending December 31st of each year and, as such, differs from Norwescap's reporting period. Sussex Seniors' fiscal year begins January 1 and ends on December 31.

As of September 1, 2020, Sussex Seniors was deconsolidated from the consolidated financial statements.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Summarized, Comparative Information:

The consolidated financial statements include certain prior-year, summarized, comparative information in total but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Norwescap's consolidated financial statements for the year ended August 31, 2021, from which the summarized information was derived.

Cash and Cash Equivalents:

Cash and cash equivalents includes bank demand deposits, savings accounts and money market accounts. For the purposes of the consolidated statements of cash flows, Norwescap considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Grants Receivable and Allowance for Doubtful Accounts:

Revenue from grants is reported based on allowable expenses. Grants receivable are the excess of allowable expenses incurred over the cash received by Norwescap from funding agencies.

Grants receivable are stated at the amounts management expects to collect from outstanding balances. The Organization charges uncollectible grants receivable to operations when determined to be uncollectible. Management has determined there is no allowance for doubtful accounts for the years ended August 31, 2022 and 2021.

Inventory:

Inventory, which is comprised primarily of purchased goods for the co-op food program, is valued at the lower of cost or market. Donated items, which meet the criteria for recognition, are recorded at estimated fair value at the date of donation.

Fair Value:

Fair value measurements are defined as the amounts 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. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fair Value: (Continued)

- Level 2:** Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable, or can be derived principally from or corroborated by observable market data.
- Level 3:** Valuations based on unobservable inputs used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk (or other parties, such as counterparty in a swap) in its assessment of fair value.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the consolidated 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.

Investments:

The Organization holds a certificate of deposit which is valued at cost plus accrued interest earned as of August 31, 2022 and 2021, which approximates market value. The Organization holds stocks in companies traded on national securities exchanges that are valued at the closing price reported in the active market in which individual securities are traded.

Property and Equipment:

The Norwescap entities record land, building and equipment at cost on the date of acquisition, or at the fair value of the asset, based on values of comparable assets, at the date of gift for donated assets. Depreciation is computed on a straight-line basis over the estimated useful life as follows:

Buildings and improvements	10 to 30 years
Furniture and equipment	5 years
Vehicles	5 to 7 years

In the absence of donor-imposed restrictions on the use of the assets, gifts of long-lived assets are reported as unrestricted support. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs, and minor renewals are charged to operations as incurred. Significant renewals and betterments that increase the useful life of the assets and are greater than \$5,000, are capitalized.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment: (Continued)

Federal, state, county and other funding sources may maintain an equitable interest in the property purchased with grant monies, as well as the right to determine the use of proceeds from the sale of those assets.

Advances from Grantors:

Advances from grantors are the excess of grant cash received in the current fiscal year over allowable grant expenses incurred during the current fiscal year. These advances from grantors must be expended for grant purposes.

At the termination of federal, state, and other funding sources, the balance of funds unapplied are subject to disposition according to the funding source's requirements.

Revenue Recognition:

Funds received from various federal and state government agencies represent grants awarded to the Organization to provide program services. Revenue with respect to these awards is recognized to the extent of expenses incurred under the award terms. Funds received in advance are accounted for as advances from grantors in the consolidated statements of financial position. Amounts that are spent in accordance with contract requirements, but not yet received, are accounted for as accounts and grants receivable in the consolidated statements of financial position.

Contributions are recognized as revenue and receivables when they are received or unconditionally pledged. There were no unconditional pledges made during the years ending August 31, 2022 and 2021.

The Norwescap entities report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. However, the Norwescap entities report gifts of cash and other assets subject to donor-restrictions, whose restrictions are met within the same year as received, as without donor restriction contributions in the accompanying consolidated financial statements.

Donated Materials, Facilities, and Services:

During the year ended August 31, 2022, the Organization adopted the changes relating to the Financial Accounting Standards Board Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update clarifies the presentation and disclosure of contributed nonfinancial assets by disclosing the valuation methods and inputs utilized to determine the fair value of the in-kind contributions, any donor-restrictions imposed, and presenting the contribution on a separate line item on the statements of activities and changes in net assets.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Tax Status:

The Norwescap entities are exempt from income taxes under Sections 501(c)(3) and 501(c)(2) of the Internal Revenue Code, and are also exempt under Title 15 of the State of New Jersey Corporations and Associations Not-for-Profit Act. The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's consolidated financial statements.

The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the fiscal years ended 2022 and 2021. At August 31, 2022 and 2021, there are no significant income tax uncertainties.

Interest Income:

Interest income is accounted for as required by grant contract requirements. Interest income is returnable to the grantor for the following grant: Head Start (New Jersey Department of Health and Human Services). For other grants, interest income is retained and used to further program activities as stipulated in the New Jersey Department of Community Affairs and other contracts.

Use of Estimates:

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements:

The Financial Accounting Standards Board ("FASB") issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach or a cumulative-effect adjustment transition approach may be used, and the new standard is applied to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The effective date for the pronouncement is for periods beginning after December 15, 2021. It will be effective for the Organization for the year ended August 31, 2023. The Organization is currently evaluating the effect the new standard will have on the financial statements.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Recent Accounting Pronouncements: (Continued)

In June 2016, the FASB issued an accounting pronouncement, *Measurement of Credit Losses on Financial Instruments*, which amends the FASB's guidance on the impairment of financial instruments. The pronouncement adds to United States generally accepted accounting principles ("U.S. GAAP") an impairment model that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses, which the FASB believes will result in more timely recognition of such losses. The pronouncement is also intended to reduce the complexity of U.S. GAAP by decreasing the number of credit impairment models that entities use to account for debt instruments. The pronouncement is effective for fiscal years, beginning after December 15, 2021. Earlier adoption is permitted subject to certain limitations. The Organization is currently evaluating what the effect of adopting this pronouncement will have on its financial statements and related disclosures.

Subsequent Events:

The Organization has evaluated events subsequent to the consolidated statement of financial position date as of August 31, 2022 through January 26, 2023, the date that the consolidated financial statements were available to be issued.

NOTE 3 - DECONSOLIDATION OF SUSSEX SENIORS:

Effective September 1, 2020, the Organization deconsolidated Sussex Seniors Urban Renewal Affordable Housing Corporation ("Sussex Seniors") from the overall consolidated financial statements of Northwest New Jersey Community Action Programs, Inc. and Subsidiaries. Sussex Seniors will continue to utilize the administrative services provided by the Organization but is no longer under common control and is now operated under the direction of a distinct and independent Board of Trustees.

Assets amounting to approximately \$436,000 was transferred to Sussex Seniors as part of the deconsolidation during the fiscal year ended August 31, 2021, and was recorded as a transfer of net assets to Sussex Seniors on the consolidated statement of activities and changes in net assets. No consideration was provided by Sussex Seniors and no gain or loss was recorded by the Organization in connection with the transaction.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 4 - GRANTS RECEIVABLE:

Grants receivable are comprised of the following:

	August 31,	
	2022	2021
Community Services Block Grant	\$ 302,376	\$ 317,938
Head Start Abbott - ECPA	40,451	8,151
Head Start and Early Head Start	575,732	563,486
Family Self Sufficiency ("FSS")	124,386	21,781
Homeless Prevention	25,565	29,480
LIHEAP, Weatherization, Heating Improvement Program and the Department of Energy	341,091	371,802
NJ Cancer Education and Early Detection ("CEED")	83,364	11,437
Women, Infants and Children ("WIC")	192,358	83,833
Intensive Case Management	109,000	192,611
Other	402,589	469,708
Total Grants Receivable	<u>\$ 2,196,912</u>	<u>\$ 2,070,227</u>

NOTE 5 - INVESTMENTS:

The certificate of deposit bears an interest rate between .25% - 2.35%. Interest income on the certificate of deposit for the years ended August 31, 2022 and 2021, is \$1 and \$36, respectively.

The following table summarizes assets which have been accounted for at fair value on a recurring basis, along with the basis of determination of fair value:

	<u>FAIR VALUE MEASUREMENT</u>			
	<u>AUGUST 31, 2022</u>			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Certificate of deposit	\$ -	\$ 10,867	\$ -	\$ 10,867
Equities	221,482	-	-	221,482
	<u>\$ 221,482</u>	<u>\$ 10,867</u>	<u>\$ -</u>	<u>\$ 232,349</u>

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 5 - INVESTMENTS: (Continued)

FAIR VALUE MEASUREMENT				
AUGUST 31, 2021				
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Certificate of deposit	\$ -	\$ 10,866	\$ -	\$ 10,866
Equities	108,336	-	-	108,336
	\$ 108,336	\$ 10,866	\$ -	\$ 119,202

During the years ended August 31, 2022 and 2021, approximately \$150,000 and \$104,000, respectively, was donated to the Organization in stock, which is recorded within contributions, fees, rents and other on the consolidated statement of activities and changes in net assets.

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment, net of accumulated depreciation, at August 31, 2022, is as follows:

	Norwescap	Holding Company	ECHO	Total
Land	\$ 158,816	\$ -	\$ -	\$ 158,816
Buildings and improvements	1,621,511	1,500,009	736,449	3,857,969
Furniture, fixtures and equipment	438,643	-	-	438,643
Vehicles	1,411,271	-	-	1,411,271
	3,630,241	1,500,009	736,449	5,866,699
Less: Accumulated depreciation	2,178,237	796,863	736,449	3,711,549
	\$ 1,452,004	\$ 703,146	\$ -	\$ 2,155,150

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 6 - PROPERTY AND EQUIPMENT: (Continued)

Property and equipment, net of accumulated depreciation, at August 31, 2021, is as follows:

	Norwescap	Holding Company	ECHO	Total
Land	\$ 158,816	\$ -	\$ -	\$ 158,816
Buildings and improvements	942,325	1,417,109	736,449	3,095,883
Furniture, fixtures and equipment	438,643	-	-	438,643
Vehicles	1,040,201	-	-	1,040,201
	<u>2,579,985</u>	<u>1,417,109</u>	<u>736,449</u>	<u>4,733,543</u>
Less: Accumulated depreciation	2,093,661	751,393	736,449	3,581,503
	<u>\$ 486,324</u>	<u>\$ 665,716</u>	<u>\$ -</u>	<u>\$ 1,152,040</u>

Property and equipment purchased with federal or state funds are vested with the Norwescap entities as long as the Norwescap entities are granted the right to carry out the various programs for which such assets were acquired. Although the government grantor may retain legal title during the term of the arrangement, it is likely that the Norwescap entities will use the assets for the remainder of their useful lives and will be permitted to keep the assets when the arrangement is terminated.

A Notice of Federal Interest has been filed with the county record of deeds for certain land and buildings on which Head Start facilities are located. The Notice of Federal Interest requires the land and buildings to be used in a manner consistent with the Head Start Act governing the financial statements under which the property was acquired. The land cannot be sold or transferred to another party without the written permission of the responsible Department of Health and Human Services official.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 7 - RESTRICTED DEPOSITS—RESERVES:

Cash reserves required by HUD for the year ended August 31, 2022, are comprised of the following:

	Reserves		
	Moving	Replacement	Total
Balance, beginning of year	\$ 268,801	\$ 29,839	\$ 298,640
Interest	27	3	30
Bank service charge	(20)	-	(20)
Balance, end of year	<u>\$ 268,808</u>	<u>\$ 29,842</u>	<u>\$ 298,650</u>

Cash reserves required by HUD for the year ended August 31, 2021, are comprised of the following:

	Reserves		
	Moving	Replacement	Total
Balance, beginning of year	\$ 268,794	\$ 29,836	\$ 298,630
Interest	27	3	30
Bank service charge	(20)	-	(20)
Balance, end of year	<u>\$ 268,801</u>	<u>\$ 29,839</u>	<u>\$ 298,640</u>

Written prior approval from HUD is required to disburse funds from each reserve account. There were no disbursements from the reserves during the fiscal years ended August 31, 2022 and 2021.

NOTE 8 - LINE OF CREDIT:

The Organization has available a \$500,000 unsecured line of credit with a commercial bank that matures July 19, 2023. Interest is accrued on the outstanding loan balance at a rate of 3.25% for the years ended August 31, 2022 and 2021, respectively. As of August 31, 2022 and 2021, there were no balances due on the credit line.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 9 - ADVANCES FROM GRANTORS:

Advances from grantors are comprised of the following:

	August 31,	
	2022	2021
Neighborhood Revitalization Tax Credit	\$ -	\$ 9,857
Child Care Resource and Referral	115,481	361,332
Food Bank New Jersey Pandemic Relief	-	100,000
NJ Department of Agriculture CARES	5,000	101,087
Lead Safe Home Remediation	78,500	150,000
Centers for Disease Control Foundation	107,857	54,662
State Food Purchase Program	17,196	51,484
New Jersey Pandemic Relief Fund	-	50,000
TD Foundation	184,320	-
ACES Innovation	876,054	-
EFSP National Program	149,896	-
Financial Empowerment	87,546	-
Other	15,210	49,671
	<u>\$ 1,637,060</u>	<u>\$ 928,093</u>

NOTE 10 - LEASES:

Norwescap occupies office and classroom space and leases various equipment under separate operating leases with various terms expiring through 2028. Total rental space charged to operations for the years ended August 31, 2022 and 2021, was \$714,480 and \$626,911, respectively. Rental space is charged to rents/space in the consolidated statements of functional expenses and is primarily for Head Start facilities. It is expected that in the normal course of operations, other leases that expire will be renewed or replaced. Rental of certain facilities is contingent upon the continuance of federal and state funding for which the programs are dependent. Norwescap has no sublease rentals.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 10 - LEASES: (Continued)

Future minimum lease commitments for office and classroom space as of August 31, are as follows:

Year Ended August 31,	
2023	\$ 275,199
2024	238,001
2025	102,600
2026	76,800
2027	76,800
Thereafter	38,400
	<u>\$ 807,800</u>

NOTE 11 - CONTRIBUTIONS, FEES, RENTS AND OTHER:

Contributions, fees, rents, and other revenue is comprised of the following:

	Year Ended August 31,	
	2022	2021
Contributions	\$ 704,769	\$ 667,027
Fees	26,065	100,325
Food distribution	832,541	821,358
Rents	25,440	40,836
Other	173,481	136,456
	<u>\$ 1,762,296</u>	<u>\$ 1,766,002</u>

NOTE 12 - RETIREMENT BENEFITS:

Norwescap maintains a defined-contribution pension plan. The benefit plan is a tax-deferred annuity plan, whereby employees elect to voluntarily contribute up to the maximum amount allowed in accordance with Section 403(b) of the Internal Revenue Code. Employer contributions are made based on years of service with Norwescap and also based on a percentage of the compensation of the employee for that year. Employer contributions will be made whether or not an employee is making contributions to the plan. Pension expense for the years ended August 31, 2022 and 2021, was \$327,167 and \$332,204, respectively, and is recorded in fringe benefits on the consolidated statement of functional expenses.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consists of the following:

	Year Ended August 31,	
	2022	2021
Community Action Programs	\$ 444	\$ 58,666
Northwest New Jersey Echo Housing, Inc.	1,499,700	1,499,700
	<u>\$ 1,500,144</u>	<u>\$ 1,558,366</u>

The amount of \$1,499,700 is a HUD-funded Section 202 Capital Advance to pay for the construction of the HUD project. HUD holds a non-amortizing mortgage on the property under the terms of the Capital Advance agreement with HUD. No repayment is required so long as the owner complies with the HUD Regulatory Agreement to make available rental housing to very low-income elderly persons for a term of 40 years, beginning August 9, 1996 through August 9, 2036. Failure to comply with the terms of the Capital Advance and HUD's agreements may result in foreclosure under the mortgage. Management believes that the possibility that repayment will occur is remote and that treatment of the Capital Advance as net assets with donor restrictions is appropriate. There has been no change in the status of ECHO as of the report date.

On November 18, 2015, the Project received final written approval from HUD to transfer three modular housing units to the Volunteers of America located in Blackwood, New Jersey, with the intention of providing transitional housing for homeless veterans.

On July 20, 2019, the Project received final written approval from HUD to transfer the remaining seven modular housing units to Operation Safe Haven located in Franklinville, NJ. The Project moved six units and destroyed one unit. They also received approval from HUD to withdraw \$194,609 from their reserve account to help pay the cost associated with moving the units

NOTE 14 - CONCENTRATIONS OF CREDIT RISKS:

The Organization receives approximately 81% and 82% of its funding from various federal and state governmental agencies, respectively. The operations of the Organization are subject to the administrative directives, rules and regulations of federal and state regulatory agencies. Such administrative directives, rules and regulations are subject to changes that may occur because of inadequate funding with little notice to pay for the related costs, including the additional administrative burden, to comply with a change.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 14 - CONCENTRATIONS OF CREDIT RISKS: (Continued)

The Organization participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors and their representatives. The Organization is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management of the Organization is not aware of any material items of noncompliance which would result in the disallowance of grant program expenditures.

The Organization maintains cash balances at one financial institution. At times, cumulative balances may exceed insured limits.

NOTE 15 - FUNCTIONAL EXPENSES:

The costs of providing the various programs and other activities have been summarized on a functional basis on the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefits. General and administrative expenses are those not directly identifiable with any specific function, but which provide for the overall support and direction of Norwescap.

Expenses that are allocated based on time and effort are: personnel, fringe benefits, consultants/contractual and consumable supplies. Expenses that are allocated based on square footage are: rents/space, consumable supplies, equipment, communications, insurance, other costs and depreciation.

NOTE 16 - IN-KIND CONTRIBUTIONS:

Contributed Property and Equipment:

Donations of property and equipment are recorded as contributions at their estimated fair value on the date of the gift. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor restrictions regarding how long those donated assets must be maintained, the Norwescap entities report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Norwescap entities reclassify net assets with donor restrictions to net assets without donor restrictions at that time. Proceeds from the sale of fixed assets, if unrestricted, are transferred to net assets without donor restrictions, or, if restricted, to defer amounts restricted for fixed asset acquisitions.

Contributed Services:

Contributed services are recorded at fair value and recognized as revenues and expenses in the period received if they meet the requirements for recognition under accounting principles generally accepted in the United States of America.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 16 - IN-KIND CONTRIBUTIONS: (Continued)

During fiscal years ended August 31, 2022 and 2021, contributed services recorded in the consolidated financial statements were used primarily in the Head Start program. These early childhood program aid instruction and related services are valued consistent with such services provided for in the Phillipsburg Board of Education contracts. Norwescap also receives free rent for classroom space from the town of Phillipsburg, New Jersey. For the years ended August 31, 2022 and 2021, contributed early childhood program aid services and rental space of approximately \$2,057,000 and \$1,471,000, respectively, are reported in contributed services revenue and expenses in the accompanying consolidated statement of activities and changes in net assets. For the year ended August 31, 2021, contributed services were reduced due to COVID-19 restrictions. Norwescap has obtained a reduction waiver from Head Start.

In-kind donations received during the years ended August 31, 2022 and 2021, consisted of the following:

	Year Ended August 31,	
	2022	2021
Space	\$ 167,898	\$ 163,051
Services	199,901	3,468
Supplies and discounted supplies	43,379	11,097
Volunteer hours	892,305	654,703
Policy council	17,000	24,184
ECPA expenses	736,386	614,865
Total Contributed Nonfinancial Assets	<u>\$ 2,056,869</u>	<u>\$ 1,471,368</u>

Valuation techniques and inputs utilized in valuing these contributed nonfinancial assets are as follows:

<u>Contributed Nonfinancial Asset</u>	<u>Valuation Techniques and Inputs</u>
Volunteer hours	Based on average rates for professionals or volunteer services
Space, services, policy council and supplies	Estimated based on estimates of retail values for similar products and services
Early childhood program aid expenses	Based on payroll, fringe and other expenses allowed to be recorded with as in-kind expenses

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 16 - IN-KIND CONTRIBUTIONS: (Continued)

Contributed Services: (Continued)

All gifts-in-kind received by the Organization for the years ended August 31, 2022 and 2021, were considered without donor restrictions and able to be used by the Organization as determined by management.

Contributed Goods:

Through its Food Bank program, Norwescap solicits and receives food commodities which are to be distributed to qualified charitable organizations in specified areas. The fair value of food commodities received is recognized as revenue in circumstances in which Norwescap has sufficient discretion over the use and disposition of the items to recognize a contribution. Accordingly, the recognition of contributed goods as revenue is limited to circumstances in which Norwescap takes constructive possession of the contributed goods and Norwescap is the recipient of the gift, rather than an agent or intermediary.

In circumstances in which Norwescap is functioning as an agent or intermediary with respect to the contributed goods, Norwescap does not report an asset when the food commodities are received from a resource provider or donor, nor is an expense reported when the items are remitted to the ultimate beneficiary.

Although Norwescap aims to distribute contributed goods received as promptly as possible, it may continue to hold some contributed goods at year-end. Undistributed, contributed goods over which Norwescap has no variance power are not recognized and reported as inventory at year-end.

During the years ended August 31, 2022 and 2021, Norwescap distributed approximately 1,747,000 and 1,766,000 pounds of food, respectively, to qualified charitable organizations. The value of these commodities has not been reported in the consolidated financial statements as Norwescap determined it has no variance power over the distribution of these goods.

Norwescap receives food commodities for distribution to eligible recipients in The Emergency Food Assistance Program for a fee and participates in the New Jersey State Food Purchase Program ("SFPP"). Under SFPP, Norwescap receives, purchases, and distributes food to qualified recipients in exchange for a fee. Norwescap also receives and distributes food commodities under other similar government programs.

During the years ended August 31, 2022 and 2021, Norwescap distributed approximately 413,000 and 408,000 pounds of food commodities under these programs, which are included in the total poundage 1,747,000 and 1,766,000 above, respectively. The value of those commodities has not been reported in the consolidated financial statements as Norwescap determined it has no variance power over the distribution of these goods.

**NORTHWEST NEW JERSEY COMMUNITY
ACTION PROGRAM, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 17 - LIQUIDITY AND AVAILABILITY:

The following represents the Organization's financial assets reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for general expenditure in the following year.

	August 31,	
	2022	2021
Cash and cash equivalents	\$ 4,860,634	\$ 3,545,063
Grants receivable, net	2,196,912	2,070,227
Total financial assets	<u>7,057,546</u>	<u>5,615,290</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(444)</u>	<u>(58,666)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 7,057,102</u>	<u>\$ 5,556,624</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has a line of credit for \$500,000 fully available. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. Amounts not available include amounts set aside by the Board of Trustees that could be drawn upon if the Board approves that action.

NOTE 18 - RISKS AND UNCERTAINTIES:

The Organization is actively monitoring the recent COVID-19 outbreak and its potential impact on the employees, volunteers, donors, clients, and operations. It is not known at this time the effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.