

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation

Financial Statements

December 31, 2022 and 2021



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NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
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December 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Trustees of the
NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Cedar Knolls, NJ 07981

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NJ 2-1-1 Partnership, a NJ Nonprofit Corporation (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 2-1-1 Partnership, a NJ Nonprofit Corporation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

To the Board of Trustees of the
NJ 2-1-1 Partnership, a NJ Nonprofit Corporation

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 issued.

Auditors' 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 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 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

To the Board of Trustees of the
NJ 2-1-1 Partnership, a NJ Nonprofit Corporation

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Change in Accounting Principle

As discussed in Notes 2 and 8 to the financial statements, the Organization changed its method of accounting for leases as of January 1, 2022 due to the adoption of Accounting Standard Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Nisivoccia LLP

Mt. Arlington, New Jersey
March 15, 2023

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Statement of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 941,702	\$ 1,154,247
Contracts receivable	1,432,393	856,240
Contributions receivable	244,410	357,678
Prepaid expenses and other current assets	66,609	19,697
Property and equipment, net	133,607	152,837
Intangible assets, net		4,083
Operating lease right of use asset	617,767	
Deposits	19,688	19,688
Total assets	<u>\$ 3,456,176</u>	<u>\$ 2,564,470</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 816,797	\$ 574,913
Deferred revenue	307,740	540,302
Related party payable	342,541	382,541
Deferred rent		47,098
Operating lease liability	662,675	
Note payable	37,813	53,460
Total liabilities	<u>2,167,566</u>	<u>1,598,314</u>
Net assets without donor restrictions	<u>1,288,610</u>	<u>966,156</u>
Total liabilities and net assets	<u>\$ 3,456,176</u>	<u>\$ 2,564,470</u>

See accompanying notes to financial statements

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Statement of Activities
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue and Support:		
United Way contracts	\$ 351,111	\$ 366,433
State of New Jersey:		
2-1-1 Contract	2,691,908	2,336,940
LIHEAP Contract	2,136,351	1,522,013
LIHWAP Contract	769,505	
COVID-19		431,858
Contact Tracing		376,098
Addiction Services Hotline contract	191,494	192,284
Diabetes Initiative	158,268	157,354
Renew New Jersey	85,263	100,373
Disaster Preparedness	96,296	94,616
Department of Labor & Workforce Development		21,066
Other service contracts	833,811	678,924
Contributions	45,598	8,235
In-kind contributions		20,805
Government Grant- PPP		178,774
Other	172,320	48,013
Total revenue and support	<u>7,531,925</u>	<u>6,533,786</u>
Expenses:		
Program services:		
Core 2-1-1 services	930,643	926,786
Special N.J. state programs	3,090,601	1,687,131
Disaster	322,314	1,044,226
Other contracts	2,573,844	2,220,483
Total program services	<u>6,917,401</u>	<u>5,878,626</u>
Supporting services:		
General and administration	292,070	253,397
Total expenses	<u>7,209,471</u>	<u>6,132,023</u>
Change in net assets	322,454	401,763
Net assets without donor restrictions, beginning of year	<u>966,156</u>	<u>564,393</u>
Net assets without donor restrictions, end of year	<u>\$ 1,288,610</u>	<u>\$ 966,156</u>

See accompanying notes to financial statements

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services					Supporting Services	
	Core 2-1-1 Services	Special N.J. State Programs	Disaster	Other Contracts	Total Program Services	General and Administration	Total
Salaries and wages	\$ 341,139	\$ 673,639	\$ 167,908	\$ 635,568	\$ 1,818,254	\$ 181,733	\$ 1,999,987
Payroll taxes and employee benefits	84,850	167,553	41,764	158,084	452,251	45,202	497,453
Total salaries and related benefits	425,989	841,192	209,672	793,652	2,270,505	226,935	2,497,440
Contracted call center services	224,063	1,882,509	22,112	1,349,680	3,478,364		3,478,364
Professional fees	46,429	113,434	5,437	153,529	318,829	25,748	344,577
Occupancy	3,614	7,137	1,779	6,734	19,264	2,127	21,391
Operating lease expense	18,778	37,079	9,243	34,984	100,083	10,003	110,086
Office expense - supplies	1,351	1,506		1,467	4,324	206	4,530
Client assistance	164,320			55,038	219,358		219,358
Telephone	7,030	131,433	53,097	76,074	267,634	675	268,309
Postage	1,002	2,609		651	4,262	740	5,002
Marketing - outreach	9,800		2,355		12,155	4,116	16,271
Technology - computer expense	13,325	56,941	13,813	86,418	170,497	349	170,846
Travel	928	254	1,096	444	2,722		2,722
Staff training	1,622	4,438	1,308	3,793	11,161	1,800	12,961
Insurance	1,651	3,508	206	3,301	8,666	1,193	9,859
Meals and entertainment			61		61	5,435	5,496
Interest						6,665	6,665
Miscellaneous	6,407				6,407	3,768	10,175
Total expenses before depreciation and amortization	926,309	3,082,040	320,179	2,565,765	6,894,292	289,760	7,184,052
Depreciation and amortization expense	4,334	8,561	2,135	8,079	23,109	2,310	25,419
Total expenses	\$ 930,643	\$ 3,090,601	\$ 322,314	\$ 2,573,844	\$ 6,917,401	\$ 292,070	\$ 7,209,471

See accompanying notes to financial statements

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services					Supporting Services	
	Core 2-1-1 Services	Special N.J. State Programs	Disaster	Other Contracts	Total Program Services	General and Administration	Total
Salaries and wages	\$ 363,733	\$ 406,027	\$ 301,431	\$ 528,595	\$ 1,599,786	\$ 140,336	\$ 1,740,122
Payroll taxes and employee benefits	92,788	103,577	76,895	134,845	408,105	35,736	443,841
Total salaries and related benefits	456,521	509,604	378,326	663,440	2,007,891	176,072	2,183,963
Contracted call center services	177,807	972,253	434,595	1,166,529	2,751,184		2,751,184
Professional fees	115,114	65,889	19,945	187,941	388,889	42,027	430,916
Occupancy	31,924	35,636	26,456	46,393	140,409	12,317	152,726
Office expense - supplies	1,476	1,494	702	1,621	5,293	378	5,671
Client assistance	72,770			36,844	109,614		109,614
Telephone	9,209	70,948	77,796	61,207	219,160	1,061	220,221
Postage		2,291		544	2,835	1,810	4,645
Marketing - outreach	6,712		13,347		20,059	1,212	21,271
Technology - computer expense	41,008	16,262	86,583	39,717	183,570	1,007	184,577
Travel	1,072		973		2,045		2,045
Staff training	2,407	3,274	202	5,233	11,116	156	11,272
Insurance	1,355	2,897	414	2,444	7,110	1,076	8,186
Meals and entertainment						4,257	4,257
Interest						5,369	5,369
Miscellaneous	3,514				3,514	4,379	7,893
Total expenses before depreciation and amortization	920,889	1,680,548	1,039,339	2,211,913	5,852,689	251,121	6,103,810
Depreciation and amortization expense	5,897	6,583	4,887	8,570	25,937	2,276	28,213
Total expenses	\$ 926,786	\$ 1,687,131	\$ 1,044,226	\$ 2,220,483	\$ 5,878,626	\$ 253,397	\$ 6,132,023

See accompanying notes to financial statements

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Statement of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 322,454	\$ 401,763
Adjustments to reconcile change in net assets to net cash provided by(used in) operating activities:		
Depreciation and amortization	25,419	28,213
Government grant- PPP		(178,774)
Changes in operating assets and liabilities:		
Contracts receivable	(576,153)	(11,502)
Contributions receivable	73,268	(156,123)
Prepaid expenses and other current assets	(46,912)	(3,063)
Accounts payable and accrued expenses	241,884	151,638
Deferred revenue	(232,562)	349,289
Deferred rent	(47,098)	(2,679)
Operating lease assets and liabilities	44,908	
Net cash provided by(used in) operating activities	<u>(194,792)</u>	<u>578,762</u>
Cash flows from investing activities:		
Purchase of equipment	(2,106)	
Net cash used in investing activities	<u>(2,106)</u>	
Cash flows from financing activities		
Principal repayments of note payable	(15,647)	(8,388)
Net cash used in financing activities	<u>(15,647)</u>	<u>(8,388)</u>
Net increase(decrease) in cash and cash equivalents	(212,545)	570,374
Cash and cash equivalents, beginning of year	<u>1,154,247</u>	<u>583,873</u>
Cash and cash equivalents, end of year	<u>\$ 941,702</u>	<u>\$ 1,154,247</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 6,665</u>	<u>\$ 5,369</u>
Non-cash investing and financing activities:		
Repayment of related party loan through reduction of receivable	<u>\$ 40,000</u>	<u>\$ 30,000</u>
Refundable advance converted to note payable		<u>\$ 61,848</u>
Supplemental disclosures of noncash transactions:		
In-kind donation of professional services		<u>\$ 20,805</u>

See accompanying notes to financial statements

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Notes to Financial Statements
December 31, 2022 and 2021

1. Nature of Organization

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation (the "Organization"), is a member organization with its sole member being the United Ways of New Jersey, Inc. ("UWNJ"). The Organization was formed on January 1, 2012. The Organization's purpose is to provide all residents of New Jersey with a single, easy to use system for information and assistance; to make critical connections between individuals and families seeking health and/or human services and the organizations best able to meet their needs; to offer both confidential telephone support to people in crisis and personalized information and referrals to those needing assistance or wishing to contribute to their community.

The Organization administers the 2-1-1 system in New Jersey through the operation of a call center designated to maintain a 24-hour, 7-day a week statewide voice and data system so that every New Jersey resident has immediate access to community and governmental resources to assist in his/her needs. The system facilitates access to health, government and human services and continually enhances its information and referral network. The system also enhances community planning for needed services and improves service delivery through documentation and dissemination of information about human needs.

The Organization's revenue and support consists primarily of cost-reimbursement vendor contracts obtained from State, County, and Federal sources and contributions from local United Way organizations.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by the Organization in the preparation of the accompanying financial statements is set forth below:

Accounting Method

The financial statements of the Organization are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Accounting for Contributions Received and Made*, and *Presentation of Financial Statements of Not-for-Profit Entities*. FASB ASC, *Accounting for Contributions Received and Made* 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.

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Notes to Financial Statements
December 31, 2022 and 2021

FASB ASC, *Presentation of Financial Statements of Not-for-Profit Entities* 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 externally (donor) imposed restrictions: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions are resources representing the portion of expendable funds available for support of the Organization's programs and general operations. These resources are not subject to donor-imposed restrictions.

Net assets with donor restrictions represent amounts with donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Support Recognition

The Organization recognizes contributions and pledges when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization's state contracts and grants are conditioned upon certain performance requirements.

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Additionally, commitment of support from members and affiliates to fund program expenditures to be made in a subsequent period is accounted for as deferred revenue in the statement of financial position. Revenue is recognized ratably over the term of the grant as services are performed and funding is earned.

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Notes to Financial Statements
December 31, 2022 and 2021

The Organization received commitment of support from members and affiliates to fund program expenditures of \$513,820 and \$549,650 that have not been fully recognized at December 31, 2022 and 2021, respectively, because qualifying expenditures have not yet been incurred, with advance payments of \$162,801 and \$183,217 respectively, included with deferred revenue in the statement of financial position.

Revenue from Contracts with Customers

The following table provides information about significant changes in the contract liabilities for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$ 540,302	\$ 191,013
Revenue recognized that was included in deferred revenue at the beginning of year	(540,302)	(191,013)
Increase in deferred revenue due to cash received during the period	<u>307,740</u>	<u>540,302</u>
Deferred revenue, end of year	<u><u>\$ 307,740</u></u>	<u><u>\$ 540,302</u></u>

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied at a point in time	<u><u>\$ 7,314,007</u></u>	<u><u>\$ 6,325,972</u></u>

Revenue from performance obligations satisfied at a point in time consists of local United Way contracts, State of New Jersey revenue, and other service contracts related to the services provided in relation to the Organization's programs.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, is exempt from federal income taxes on income that is related to its tax-exempt purposes pursuant to Section 501(a) of the Code. 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 tax has been presented in the accompanying financial statements.

The Organization follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements.

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Notes to Financial Statements
December 31, 2022 and 2021

It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions. The Organization is subject to audit by tax authorities, including a review of its nonprofit status, which management believes would be upheld upon examination.

As required by law, the Organization files informational returns with both the United States federal and New Jersey State jurisdictions on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the State of New Jersey. These returns are subject to examination by these authorities within certain statutory periods from the latest filing date for federal and for New Jersey.

Cash Equivalents

The Organization considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

Contracts, Contributions Receivable and Allowance for Doubtful Accounts

Contracts receivable are amounts due from State, County, or Federal government agencies for expenses incurred by the Organization in connection with contractual agreements. Payment is due 30 days from the date of the expenditure reimbursement request. After 30 days, any outstanding amounts are considered delinquent at which time management investigates the situation. There was no allowance for doubtful accounts as of December 31, 2022 and 2021, as management deemed all contracts receivable to be fully collectible.

Contributions receivable reflect allocations made by local United Way organizations to the Organization to maintain a voice and data system so that every local resident has immediate access to community and governmental resources to assist in his/her needs. Management provides for probable uncollectible amounts through a charge to earnings 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 valuation allowance and a credit to contributions receivable. Amounts which are deemed uncollectible are determined on a case-by-case basis. There was no allowance for doubtful accounts at December 31, 2022 and 2021 as management deemed all contributions receivable to be fully collectible. There were no amounts deemed by management to be bad debts during the years ended December 31, 2022 and 2021.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at date of gift, when donated. The Organization capitalizes additions of property and equipment in excess of \$2,000 cost per unit; the fair value of donated fixed assets is similarly capitalized. Proceeds from the sale of fixed assets, if without donor restrictions, are transferred to net assets without donor restrictions, or, if restricted, to deferred amounts restricted for fixed asset acquisitions.

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Notes to Financial Statements
December 31, 2022 and 2021

Depreciation of assets is provided for by the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the shorter of the useful life of the asset or the lease term. Expenditures for maintenance, repairs, and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized.

The Organization continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of FASB ASC, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Intangible Assets

In accordance with FASB ASC, *Intangibles - Goodwill and Other – Internal-Use Software*, internal-use software costs are capitalized in the year purchased. Costs incurred during the preliminary and post implementation and operation stages are expensed as incurred. Capitalized costs are amortized on a straight-line basis over the estimated useful life.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly certain costs have been allocated among program and supporting services benefited.

Expenses are charged to programs based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated based on estimates made by management. Program costs are those related to information and referral, training, and outreach programs. Management and general expenses relate to administrative expenses associated with those programs and are allocated based on salary costs, infrastructure costs, and other methods considered by management to be reasonable.

The expenses that are allocated include occupancy and depreciation expense, which are allocated on a square footage basis, as well as salaries and wages, payroll taxes and employee benefits, professional fees, telephone, postage, technology – computer expense, staff training, insurance, meals and entertainment, and miscellaneous, which are allocated on the basis of estimates of time and effort. Client assistance, marketing – outreach, travel are allocated on a direct program basis with some direct general and administrative costs while office expense – supplies is allocated on a labor dollars basis and interest is allocated on a direct general and administrative basis.

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Notes to Financial Statements
December 31, 2022 and 2021

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Organization's estimates may change in the near term.

In-Kind Contributions

The Organization follows the provisions of FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which requires nonprofits to present contributed nonfinancial assets as a separate line in the statement of activities apart from contributions of cash or other financial assets. Contributed services are recognized as revenue if the services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills, and typically need to be purchased if they had not been donated. Contributed services are recorded at the fair value of the services provided. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying financial statements.

Contributed Services, Materials, Equipment, and Intangible Assets

The Organization recognizes contributed services at their fair value if the services have value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. If these criteria are met, the related amounts are reported as both in-kind contribution revenue and expense in the statement of activities. The Board of Trustees makes significant contributions of time relative to general management and operations of the Organization.

The value of this contributed time is not reflected in these financial statements since it does not meet criteria for recognition under U.S. generally accepted accounting principles.

Contributed equipment and materials, if any, are recorded in the accompanying financial statements at their fair value at the date of donation. Intangible gifts-in-kind are recorded at their estimated fair value as a contribution and as an asset or expense in the period received or when unconditionally promised. The intangible asset is amortized ratably and charged to the related expense over the term of the promise.

For the years ended December 31, 2022 and 2021, the Organization recorded in-kind contributions in the amount of \$0 and \$20,805, respectively, which represent donated professional services.

Leases

In February 2016, the FASB issued guidance ASC 842, *Leases* to increase transparency and comparability among companies by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements. The Organization did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. The Organization recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term. ROU assets are calculated as the present value of the future lease payments adjusted by any deferred rent liability and lease incentives. ROU assets and lease liabilities are recognized at the lease commencement date. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses the incremental borrowing rate at the lease commencement date to determine the present value of the future lease payments.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 a lease liability of \$754,084, which represents the present value of the remaining operating lease payments of \$790,558, discounted using the Organization's incremental borrowing rate of 3.00%, and a right-of-use asset of \$706,986.

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The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

The standard had a material impact on the Organization's statement of financial position but did not have an impact on the Organization's statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2022 through the date of the independent auditors' report and the date the financial statements were available to be issued, March 15, 2023. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles.

3. Liquidity and Availability

A significant amount of the Organization's revenue is paid quarterly, in arrears, through a variety of contracts with the State of New Jersey and various local United Way agencies throughout the state. The Organization meets its liquidity needs through a combination of favorable payment terms with its largest vendor and a line of credit with Bergen County's United Way.

The Organization manages its liquidity and strives to operate within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs. If less than one month's operating expenses are available at any given time, a short-term increase is made to the line of credit balance.

In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including contributions, grant income, and program service revenue.

The table below presents financial assets available for general expenditures within one year as of December 31, 2022 and 2021:

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	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 941,702	\$ 1,154,247
Contracts receivable	1,432,393	856,240
Contributions receivable	244,410	357,678
Deposits	19,688	19,688
Total financial assets	<u>2,638,193</u>	<u>2,387,853</u>
Less amounts not available to be used within one year:		
Security deposit	(19,688)	(19,688)
Financial assets not available to be used within one year	<u>(19,688)</u>	<u>(19,688)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,618,505</u>	<u>\$ 2,368,165</u>

4. Property and Equipment

Property and equipment and their related estimated useful lives are as follows:

<u>Assets</u>	Estimated Useful Life (Years)	<u>2022</u>	<u>2021</u>
Leasehold improvements	*	\$ 81,606	\$ 79,500
Furniture and fixtures	7	17,100	17,100
Computer equipment	3	121,116	121,116
		219,822	217,716
Less: accumulated depreciation		(86,215)	(64,879)
		<u>\$ 133,607</u>	<u>\$ 152,837</u>

* Lesser of estimated useful lives or term of the lease, excluding any optional renewal periods.

Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$21,336 and \$21,213, respectively.

5. Intangible Assets

intangible assets and their related estimated useful lives are as follows:

<u>Assets</u>	Estimated Useful Life (Years)	<u>2022</u>	<u>2021</u>
Software	3	21,000	21,000
Less: accumulated amortization		(21,000)	(16,917)
		<u>\$ -</u>	<u>\$ 4,083</u>

Amortization expense for the years ended December 31, 2022 and 2021 totaled \$4,083 and \$7,000, respectively.

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6. Related Party Transactions

The Organization is a member organization with its sole member being the UWNJ. The Organization and UWNJ share certain common Board members, including the current President of Bergen County's United Way ("BCUW"). The Organization receives cash advances and short-term loans under a revolving line of credit from BCUW for the purpose of funding ongoing operations.

Borrowings under the line are unsecured, bear interest at a floating rate not to exceed 3% per annum and are repayable based on mutually agreeable terms. The interest rate was 1.55% as of December 31, 2022 and 2021.

During the years ended December 31, 2022 and 2021, interest charged under the line of credit amounted to \$6,665 and \$5,369, respectively. As of December 31, 2022 and 2021, the outstanding balance on the line of credit amounted to \$342,541 and \$382,541, respectively, and is included in related party payable in the statement of financial position.

7. Concentrations of Credit Risk and Funding Dependency

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of cash. The Organization maintains its cash in bank deposit accounts, which at times may be in excess of federal insurance limits. The Organization has not experienced any such losses in such accounts. Management believes it is not exposed to any significant credit risk related to cash.

During the years ended December 31, 2022 and 2021, State of New Jersey cost-reimbursement contracts accounted for approximately 83% and 80% of total support and revenue, respectively, and represented 85% and 71% of contracts receivable outstanding at the statement of financial position date.

At December 31, 2022 and 2021, the local United Ways had committed to the Organization grants to be paid to them which represent 100% of contributions receivable. These grants are dependent upon approval of disbursed monies by the granting agencies. Accordingly, there is no guarantee that such funding will continue. However, management believes that there will be no disruption to its funding.

8. Leases

As of September 2018, the Organization leases office space under an operating lease with an original expiration date of February 28, 2029. The lease provides for a 5% increase in the annual base rent at year six of the lease agreement. In addition, during the first six months of the lease, no rent was charged to the Organization and this rent abatement period was taken into consideration when recording the rent expense.

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Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Because the Organization is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments used to determine the lease liabilities. The Organization's leases do not include termination options for either party to the lease, guaranteed residual values or restrictive financial or other covenants. The operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires the Organization to pay a pro rata share of property taxes and common area charges.

Future minimum lease payments related to the operating lease for office space are as follows:

Year Ended December 31,	
2023	\$ 114,844
2024	118,125
2025	118,125
2026	118,125
2027	118,125
Thereafter	<u>137,813</u>
Total undiscounted cash flows	725,156
Less: present value discount	<u>(62,481)</u>
Total lease liabilities	<u><u>\$ 662,675</u></u>

Other information related to the Organization's operating lease as of and for the year ended December 31, 2022 was as follows:

Operating cash flows from operating leases	\$ 112,500
ROU assets obtained in exchange for new operating lease liabilities	\$ 754,084
Weighted-average remaining lease term in years for operating leases	6.17
Weighted-average discount rate for operating leases	3.00%

Lease expense from operating leases was \$110,310 for the year ended December 31, 2022.

Rent expense under FASB ASC, 840 (pre-adoption of the new standards) for operating leases totaled \$109,297 for the year ended December 31, 2021. The aggregate minimum lease payment under those operating leases as of December 31, 2021 were as follows:

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Notes to Financial Statements
December 31, 2022 and 2021

Year Ended December 31,	
2022	\$ 112,500
2023	112,500
2024	117,188
2025	118,125
2026	118,125
Thereafter	255,937
	<u>\$ 834,375</u>

9. Risk Management

The Organization is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Organization maintains commercial insurance to protect itself from such risks.

10. Retirement Plan

The Organization has a defined contribution retirement plan covering substantially all eligible employees. The plan is funded solely by employee contributions pursuant to a salary reduction agreement.

11. Administrative Expense Ratio

The Organization uses the data reported in the statement of functional expenses to calculate its administrative expense ratio. The administrative expense ratio was 4.1% for the years ended December 31, 2022 and 2021.

12. Refundable Advance

In April 2020, the Organization received \$240,622 under the United States Small Business Administration's Paycheck Protection Program ("PPP"). The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Organization must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Organization has accounted for the PPP funding as a conditional contribution in the financial statements by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized only when conditions are met. PPP funding is subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. In June 2021, the Organization received forgiveness for \$178,774 of the PPP funds which is recognized as forgiveness of refundable advance on the statement of activities during the year ended December 31, 2021. The remaining funds, in the amount of \$61,848, were converted to a note payable (see Note 13).

The Small Business Administration reserves the right to audit Paycheck Protection Program funding forgiveness for ten years from the date that forgiveness was awarded.

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Notes to Financial Statements
December 31, 2022 and 2021

13. Note Payable

The Organization entered into a note payable agreement with the SBA in the amount of \$61,848 which expires in May 2025. Outstanding balances on the note accrue interest at 1%. The outstanding balance as of December 31, 2022 and 2021 was \$37,813 and \$53,460, respectively. Future minimum payments on the note are as follows:

<u>Year Ended</u>	<u>Amount</u>
2023	\$ 15,803
2024	15,971
2025	6,039
	<u>\$ 37,813</u>

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of the
NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Cedar Knolls, NJ 07981

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of NJ 2-1-1 Partnership, a NJ Nonprofit Corporation (the "Organization") which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

To the Board of Trustees of the
NJ 2-1-1 Partnership, a NJ Nonprofit Corporation

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nisiroccia LLP

Mt. Arlington, New Jersey
March 15, 2023

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Schedule of Findings and Responses
Year Ended December 31, 2022

I. Summary of Auditors' Results:

An unmodified report was issued on NJ 2-1-1 Partnership, a NJ Nonprofit Corporation's financial statements.

The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of NJ 2-1-1 Partnership, a NJ Nonprofit Corporation.

The audit did not disclose any noncompliance which is material in relation to the financial statements of NJ 2-1-1 Partnership, a NJ Nonprofit Corporation.

II. Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

III. Findings and Responses for Federal and State Awards:

None noted.

NJ 2-1-1 Partnership, a NJ Nonprofit Corporation
Summary Schedule of Prior Year Findings
Year Ended December 31, 2022

Status of Prior Year Findings:

There were no audit findings in the prior year.