



GREATER NEWARK CONSERVANCY, INC.

Financial Statements

June 30, 2016 and 2015

With Independent Auditors' Reports

Greater Newark Conservancy, Inc.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Greater Newark Conservancy, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Newark Conservancy, Inc. ("the Conservancy"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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 of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Conservancy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Newark Conservancy, Inc. as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016 on our consideration of the Conservancy'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. The purpose of that report is 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 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 Conservancy's internal control over financial reporting and compliance.



December 6, 2016

Greater Newark Conservancy, Inc.
Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 1,275,932	\$ 605,838
Investments	139,288	139,288
Due from governmental agencies, net	167,604	456,400
Contributions receivable, net	172,736	826,820
Accounts receivable	31,434	28,631
Prepaid expenses	17,993	60,976
Total current assets	<u>1,804,987</u>	<u>2,117,953</u>
Property and equipment, net	9,424,637	3,646,964
Construction in progress	--	5,753,798
Other assets		
Contributions receivable, net	--	69,027
Trademark	2,525	2,525
Total other assets	<u>2,525</u>	<u>71,552</u>
Total assets	<u>\$ 11,232,149</u>	<u>\$ 11,590,267</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 152,509	\$ 300,228
Grant advances payable	271,531	--
Note payable - current portion	97,837	96,086
Total current liabilities	<u>521,877</u>	<u>396,314</u>
Long-term liabilities		
Note payable - net of current portion	--	97,837
Total liabilities	<u>521,877</u>	<u>494,151</u>
Net assets		
Unrestricted		
Board designated for 25th anniversary fund	299,442	284,442
Available for general operations	8,898,100	9,074,276
Total unrestricted net assets	<u>9,197,542</u>	<u>9,358,718</u>
Temporarily restricted	<u>1,512,730</u>	<u>1,737,398</u>
Total net assets	<u>10,710,272</u>	<u>11,096,116</u>
	<u>\$ 11,232,149</u>	<u>\$ 11,590,267</u>

The Notes to Financial Statements are an integral part of these statements.

Greater Newark Conservancy, Inc.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Foundation grants	\$ 786,281	\$ 172,997	\$ 959,278	\$ 510,495	\$ 378,874	\$ 889,369
Corporate grants	48,793	--	48,793	46,452	1,050,000	1,096,452
Government grants	384,127	--	384,127	740,968	--	740,968
Trustee contributions	58,439	--	58,439	69,860	986	70,846
Individual contributions	57,031	--	57,031	178,209	1,172	179,381
25th anniversary fund contributions	15,000	--	15,000	--	--	--
Special events, net of direct expenses of \$43,566 and \$15,579 in 2016 and 2015, respectively	165,046	--	165,046	73,435	--	73,435
Fees	157,563	--	157,563	86,809	--	86,809
Investment income	184	--	184	114	--	114
In-kind contributions	30,550	--	30,550	32,890	--	32,890
Gain on disposal of property and equipment	--	--	--	19,755	--	19,755
Miscellaneous income	3,591	--	3,591	2,083	--	2,083
	<u>1,706,605</u>	<u>172,997</u>	<u>1,879,602</u>	<u>1,761,070</u>	<u>1,431,032</u>	<u>3,192,102</u>
Net assets released due to satisfaction of time or purpose restriction	<u>397,665</u>	<u>(397,665)</u>	<u>--</u>	<u>1,516,326</u>	<u>(1,516,326)</u>	<u>--</u>
	<u>2,104,270</u>	<u>(224,668)</u>	<u>1,879,602</u>	<u>3,277,396</u>	<u>(85,294)</u>	<u>3,192,102</u>
Expenses						
Program services	1,714,602	--	1,714,602	1,683,533	--	1,683,533
Management and general	390,169	--	390,169	170,519	--	170,519
Fundraising	160,675	--	160,675	268,148	--	268,148
	<u>2,265,446</u>	<u>--</u>	<u>2,265,446</u>	<u>2,122,200</u>	<u>--</u>	<u>2,122,200</u>
Changes in net assets	(161,176)	(224,668)	(385,844)	1,155,196	(85,294)	1,069,902
Net assets, beginning of year	<u>9,358,718</u>	<u>1,737,398</u>	<u>11,096,116</u>	<u>8,203,522</u>	<u>1,822,692</u>	<u>10,026,214</u>
Net assets, end of year	<u>\$ 9,197,542</u>	<u>\$ 1,512,730</u>	<u>\$ 10,710,272</u>	<u>\$ 9,358,718</u>	<u>\$ 1,737,398</u>	<u>\$ 11,096,116</u>

The Notes to Financial Statements are an integral part of these statements.

Greater Newark Conservancy, Inc.
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Changes in net assets	\$ (385,844)	\$ 1,069,902
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	141,050	156,855
Bad debt expense	119,543	--
Present value adjustment on contributions receivable	(14,651)	(12,944)
Accretion of debt	3,914	5,815
Gain on disposal of property and equipment	--	(19,755)
Donated property and equipment	--	(7,000)
Changes in assets and liabilities		
Due from governmental agencies	173,253	355,504
Contributions receivable	733,762	(531,839)
Accounts receivable	(2,803)	(453)
Prepaid expenses	42,983	(245)
Accounts payable and accrued expenses	(147,719)	(429,437)
Grant advances payable	271,531	--
Net cash provided by operating activities	<u>935,019</u>	<u>586,403</u>
Cash flows from investing activities		
Proceeds from sales of certificates of deposit	130,949	130,701
Purchase of certificates of deposit and reinvested investment income	(130,949)	(130,879)
Purchases of property and equipment	(38,331)	(50,084)
Proceeds from disposal of property and equipment	--	21,675
Increase in construction in progress	(126,594)	(1,458,769)
Net used used by investing activities	<u>(164,925)</u>	<u>(1,487,356)</u>
Cash flows used by financing activities		
Principal payment of note payable	<u>(100,000)</u>	<u>(100,000)</u>
Net change in cash and cash equivalents	670,094	(1,000,953)
Cash and cash equivalents		
Beginning of year	<u>605,838</u>	<u>1,606,791</u>
End of year	<u>\$ 1,275,932</u>	<u>\$ 605,838</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 4,725</u>	<u>\$ 6,172</u>
Donated materials and supplies	<u>\$ 30,550</u>	<u>\$ 32,890</u>
Non-cash investing activities		
Increase in construction in progress and accounts payable and accrued expenses	<u>\$ --</u>	<u>\$ 5,843</u>
Reclassification of construction in progress to property and equipment	<u>\$ 5,880,392</u>	<u>\$ --</u>

There were no amounts paid for incomes taxes during the years ended June 30, 2016 and 2015.

Greater Newark Conservancy, Inc.
Statements of Functional Expenses
Year Ended June 30, 2016

	Program Services							Management and General	Fundraising	Total
	Education	Environmental Justice	Community Greening and Urban Farming	Prisoner Re-entry Services	NYLP/ Farm Stand	Clean & Green/ Hot Spot	Total Program Services			
Salaries	\$ 259,705	\$ 7,667	\$ 286,641	\$ 185,841	\$ 97,226	\$ 110,330	\$ 947,410	\$ 120,913	\$ 101,892	\$ 1,170,215
Fringe benefits	67,689	2,335	69,811	47,503	27,483	19,080	233,901	30,936	24,752	289,589
Occupancy	8,758	162	5,595	218	1,390	1,023	17,146	26,168	1,488	44,802
Telephone	2,851	116	3,182	2,254	1,215	1,236	10,854	3,623	996	15,473
Office expenses	13,358	127	10,536	10,856	3,477	4,921	43,275	9,360	3,504	56,139
Postage	882	60	703	353	448	432	2,878	1,223	371	4,472
Equipment	4,840	160	6,335	3,241	1,497	5,561	21,634	2,757	1,510	25,901
Repairs and maintenance	2,727	--	382	1,541	149	859	5,658	15,220	644	21,522
Dues and subscriptions	--	--	--	--	--	--	--	1,524	--	1,524
Insurance	7,887	--	22,457	6,050	6,036	2,684	45,114	29,884	1,134	76,132
Printing	1,584	--	842	1,107	627	893	5,053	520	3,002	8,575
Travel and vehicle expense	2,776	167	17,751	78	543	5,896	27,211	1,548	139	28,898
Professional services	19,151	216	15,083	11,148	7,436	1,501	54,535	17,649	15,786	87,970
Program expenses	33,014	129	72,213	4,695	20,502	5,914	136,467	--	--	136,467
Conferences and seminars	235	--	792	--	204	--	1,231	1,867	--	3,098
Landscaping supplies and expenses	--	--	29,351	--	--	--	29,351	--	--	29,351
Depreciation	97,745	--	12,865	10,064	4,942	3,500	129,116	6,902	5,032	141,050
Bad debt expense	--	--	--	--	--	--	--	119,543	--	119,543
Interest expense	1,117	--	1,087	850	418	296	3,768	532	425	4,725
	<u>\$ 524,319</u>	<u>\$ 11,139</u>	<u>\$ 555,626</u>	<u>\$ 285,799</u>	<u>\$ 173,593</u>	<u>\$ 164,126</u>	<u>\$ 1,714,602</u>	<u>\$ 390,169</u>	<u>\$ 160,675</u>	<u>\$ 2,265,446</u>

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

Greater Newark Conservancy, Inc.
Statements of Functional Expenses
Year Ended June 30, 2015

	Program Services					Total Program Services	Management and General	Fundraising	Total
	Education	Environmental Justice	Community Greening and Urban Farming	NYLP/ Farm Stand	Clean & Green/ Hot Spot				
Salaries	\$ 277,809	\$ 10,474	\$ 316,783	\$ 131,413	\$ 180,434	\$ 916,913	\$ 80,159	\$ 163,349	\$ 1,160,421
Fringe benefits	61,524	2,164	67,713	32,557	43,443	207,401	25,510	33,947	266,858
Occupancy	10,457	362	4,661	1,910	2,765	20,155	1,728	2,665	24,548
Telephone	2,422	182	2,923	1,426	9,847	16,800	3,097	1,454	21,351
Office expenses	9,349	153	2,998	1,012	9,946	23,458	23,551	1,546	48,555
Postage	816	105	1,149	375	521	2,966	884	1,609	5,459
Equipment	2,880	245	3,316	1,198	10,711	18,350	15	1,723	20,088
Repairs and maintenance	269	23	594	254	1,422	2,562	771	188	3,521
Dues and subscriptions	50	--	185	--	--	235	782	--	1,017
Insurance	8,552	477	23,101	9,132	22,737	63,999	8,354	5,868	78,221
Printing	2,971	151	1,780	605	1,142	6,649	804	3,190	10,643
Travel	1,850	56	12,378	1,169	20,870	36,323	700	229	37,252
Professional services	14,749	899	12,968	3,822	6,082	38,520	9,855	10,675	59,050
Program expenses	12,315	--	135,781	21,757	18,137	187,990	--	25,890	213,880
Conferences and seminars	592	--	548	165	(511)	794	4,346	148	5,288
Landscaping supplies and expenses	--	--	3,021	--	--	3,021	--	--	3,021
Depreciation	97,045	1,478	20,444	5,911	12,519	137,397	9,606	9,852	156,855
Interest expense	--	--	--	--	--	--	357	5,815	6,172
	<u>\$ 503,650</u>	<u>\$ 16,769</u>	<u>\$ 610,343</u>	<u>\$ 212,706</u>	<u>\$ 340,065</u>	<u>\$ 1,683,533</u>	<u>\$ 170,519</u>	<u>\$ 268,148</u>	<u>\$ 2,122,200</u>

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

1. ORGANIZATION AND PURPOSE OF THE CORPORATION

Greater Newark Conservancy, Inc. (“the Conservancy”) is a New Jersey not-for-profit organization that promotes environmental stewardship to improve the quality of life in New Jersey's urban communities. Founded in 1987, the Conservancy has four program areas: environmental education, community greening and gardening, job training and advocacy for environmental justice.

The Conservancy's education program annually brings innovative, hands-on, science-based lessons and field trips to approximately 7,000 inner-city schoolchildren from Newark and its environs. Programming focuses on the urban environment and includes environmental education field trips to the Prudential Outdoor Learning Center in downtown Newark, in-class reverse field trips, living laboratory outdoor teaching gardens at Newark schools, and nutritional health lessons and activities. Since the Prudential Outdoor Learning Center opened 12 years ago, it has hosted over 30,000 underserved children who have engaged in environmental field trips.

The Conservancy's community greening program annually serves over 2,000 Newark residents through its community gardens with resident-adopted planting plots; urban farm lots that generate fresh, local produce; and a farm stand operation that makes nutritious, healthy foods available to the inner-city population. Last growing season the program's 10 urban farms, including a 1 acre farm and a 2.5 acre farm in Newark generated over 30,000 pounds of fresh produce, bringing fresh, nutritious vegetables to 1,600 low-income residents.

The Conservancy's job training program includes three components – the Newark youth leadership project (“NYLP”), the clean and green transitional job training program and the New Jersey Reentry Corporation operated NJRC program. NYLP annually provides 50 to 60 Newark high school students with on-the-job-training in leadership development, public speaking, resume development, business skills, job readiness and green careers. The program encourages college enrollment, opening new vistas and career exploration. The clean and green program annually works with dozens of recently incarcerated Newark residents and ex-gang affiliated members to assist them in making the transition from prison to gainful employment. Training focuses on a variety of horticultural and landscaping skills. Throughout the program, participants clean highway gateways and medians and hundreds of vacant, city-owned lots in Newark. A major emphasis has been on developing and helping to maintain the Conservancy's two larger urban farms. The New Jersey Re-entry Corporation incorporated in September 2015, opened a site at the Conservancy on November 2015, which has enrolled 165 clients as of June 2016. Under this program, services include: Drug and alcohol treatment through Integrity House, on-site horticulture therapy, licensed social worker, DVRS, financial literacy, housing referrals, employment training and legal services. The Conservancy has also started contracts for seasonal landscaping work. The Newark Reentry site is initiating a fatherhood cooking program to assist formerly incarcerated clients with family reunification.

The Conservancy's environmental justice program organizes and empowers inner-city residents to confront and overcome urban environmental issues. For many years, the program focused on various components of Newark's master planning process, seeking to interject sound environmental principles and to guide the city toward greater sustainability. More recently, the program has concentrated on seeking an environmentally sensitive cleanup of the intensively polluted lower Passaic river while minimizing the impacts on the Ironbound section of Newark.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Financial statement presentation follows the recommendations of the accounting standard related to financial statements of not-for-profit organizations. Under this accounting standard, the Conservancy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For the years ended June 30, 2016 and 2015, the Conservancy had accounting transactions in unrestricted and temporarily restricted net assets. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions and the temporarily restricted net asset category represents net assets that are subject to time or purpose donor imposed restrictions.

Basis of Accounting

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

Revenue Recognition

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Conservancy accounts for contract revenues, which have been determined to be exchange transactions, in the statements of activities and changes in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. Grant and contract revenues received in advance of their usage are classified as grant advances payable in the statements of financial position. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Fee for service income received for performing landscaping and other services is recorded when earned.

Contributions receivable and accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history and type of contribution. Management has determined that no allowance was required as of June 30, 2016 and 2015.

Accounts Receivable

The Conservancy records service fee revenue and accounts receivable as services are provided to customers. Accounts are at least partially reserved if no collection has been made after 90 days if collection is not reasonably assured. Collection attempts continue to be made beyond that point until such time as the uncollectability of the account becomes apparent.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost or at their estimated fair value at date of donation. The Conservancy capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Valuation of Long-Lived Assets

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

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

The Conservancy considers all highly liquid investments with an initial maturity of three months or less at time of acquisition to be cash equivalents.

Concentration of Credit Risk

The Conservancy maintained cash balances on deposit with financial institutions in excess of insurable limits for the years ended June 30, 2016 and 2015. The condition is mitigated by having funds deposited with high quality financial institutions. The Conservancy does not believe that it is exposed to any significant credit risk on its cash and cash equivalents.

Three grantors/donors comprised 96 percent of total receivables as of June 30, 2016 and two grantors/donors comprised 69 percent of total receivables at June 30, 2015. One grantor comprised 15 percent of total revenue for the year ended June 30, 2016 and one donor comprised 31 percent of total revenue for the year ended June 30, 2015.

Income Taxes

The Conservancy is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and state income tax under similar provisions. Accordingly, no provision for Federal income tax has been recorded in the statements of financial position. The Conservancy had no unrecognized benefits at June 30, 2016 and 2015 and has incurred no interest or penalties related to income taxes for the periods presented in their financial statements.

Donated Materials and Supplies

The Conservancy receives various donated materials and supplies for its programs. Donated materials and supplies are recorded as unrestricted revenue at their estimated fair market value when received.

New Accounting Pronouncements

In August 2016 the FASB issued ASU 2016-14 – Not-for-profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. ASU 2016-14, which is effective for fiscal years beginning after December 15, 2017 with early adoption permitted will require a change to two areas of not-for-profit accounting and significant new financial statement presentation and disclosure requirements. Under ASU 2016-14 (the “ASU”) underwater funds will be accounted for within net assets with donor restrictions and not within net assets without donor restrictions as is the current practice. In addition, the ASU eliminates the accounting policy election to release donor imposed restrictions over the useful life of donated property and equipment when the donor does not explicitly specify the period of time the property must be used. Instead, entities will be required to relieve the donor’s restrictions at the time the asset is placed in service.

Greater Newark Conservancy, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

The ASU also changes the presentation and disclosure requirements of not-for-profit entities in the following areas: expense disclosures, display of net asset classes, cash flow presentation, quantitative and qualitative liquidity disclosures and presentation of investment returns. The Conservancy is currently evaluating the impact these changes will have on its future financial statements.

3. INVESTMENTS

The Conservancy's investments consisted of the following at June 30, 2016 and 2015:

	2016	2015
Certificates of deposit	\$ 130,943	\$ 130,943
Mutual fund	<u>8,345</u>	<u>8,345</u>
	<u>\$ 139,288</u>	<u>\$ 139,288</u>

Certificates of deposit are stated at cost plus accrued interest. Mutual funds are stated at fair value.

The Conservancy has reviewed investments within the framework for measuring fair value which establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the assets or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The Conservancy's mutual fund investments are classified as Level 1 since they are based on quoted prices in active markets for identical assets.

4. DUE FROM GOVERNMENTAL AGENCIES

Amounts due from governmental agencies at June 30, are as follows:

	2016	2015
City of Newark - CDBG	\$ 19,916	\$ 199,955
City of Newark - Clean and Green	11,843	64,728
City of Newark - Hotspot	135,845	76,174
City of Newark - Central Ward Initiative	<u>115,543</u>	<u>115,543</u>
	283,147	456,400
Less: allowance for doubtful accounts	<u>(115,543)</u>	<u>--</u>
Due from governmental agencies, net	<u>\$ 167,604</u>	<u>\$ 456,400</u>

5. GRANT ADVANCES PAYABLE

Amounts due to governmental agencies at June 30, are as follows:

	2016	2015
State of New Jersey - NJRC	\$ 227,362	\$ --
U.S. EPA - Environmental Education Grant	<u>44,169</u>	<u>--</u>
	<u>\$ 271,531</u>	<u>\$ --</u>

Greater Newark Conservancy, Inc.
Notes to Financial Statements
June 30, 2016 and 2015

6. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give at June 30, are as follows:

	2016	2015
Less than 1 year	\$ 189,058	\$ 826,820
1-5 years	--	100,000
Over 5 years	--	--
	<u>189,058</u>	<u>926,820</u>
Less: Discounts to net present value at 2 percent	<u>16,322</u>	<u>30,973</u>
	<u><u>\$ 172,736</u></u>	<u><u>\$ 895,847</u></u>

7. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30:

	Estimated Useful Life (Years)	2016	2015
Land	N/A	\$ 74,325	\$ 74,325
Main Building (Education Center)	40	5,875,965	--
Field equipment	5	19,633	19,633
Vehicles	5	136,086	114,586
Office equipment	5	208,115	194,596
Leasehold improvements	15	50,198	50,198
Outdoor Learning Center	40	3,247,483	3,247,483
Office building and improvements	40	894,155	894,155
Tent	5	<u>11,775</u>	<u>8,375</u>
		10,517,735	4,603,351
Less: Accumulated depreciation and amortization		<u>(1,093,098)</u>	<u>(956,387)</u>
Property and equipment, net		<u><u>\$ 9,424,637</u></u>	<u><u>\$ 3,646,964</u></u>

Depreciation expense amounted to \$141,050 and \$156,855 for the years ended June 30, 2016 and 2015, respectively.

8. CONSTRUCTION IN PROGRESS

Construction in progress consisted of costs related to the Judith Shipley Urban Environmental Center ("Main Building"). The Conservancy is creating New Jersey's first urban environmental education resource center, which will serve low-income youth, grades pre-K through 12, from Newark and surrounding urban areas. The Main Building contains classrooms, lecture/exhibit space, meeting rooms, a café and offices. The Conservancy entered into a construction contract in connection with the Main Building construction with a contractor for a total contract price of approximately \$3,140,000. Total work was completed in 2016 and the Main Building was put into service in June 2016. The Conservancy will be entering into a second phase of construction in fiscal year 2017.

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9. DEFINED CONTRIBUTION PLAN

The Conservancy maintains a 401(k) defined contribution pension plan (the "Plan") covering all employees who satisfy certain eligibility requirements. Under the terms of the Plan, the Conservancy makes annual discretionary contributions to the Plan based upon a percentage of eligible employee wages. Pension expense for the years ended June 30, 2016 and 2015, was \$8,600 and \$12,476, respectively.

10. NET ASSETS

Board designated net assets

Board designated net assets are classified as unrestricted net assets in the statements of financial position. The Conservancy established the 25th anniversary fund in 2012 and has accepted contributions to support this fund. The purpose of this fund, as designated by the board, is to provide the Conservancy with resources in the event of an economic downturn or in the event that short term cash flow is required to cover necessary expenditures. Board designated net assets amounted to \$299,442 and \$284,442 for each of the years ended June 30, 2016 and 2015, respectively.

Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2016	2015
Time and purpose restriction		
Capital projects (Urban Environmental Center of NJ)	\$ 1,229,194	\$ 1,333,774
Purpose restriction		
Fatherhood N Kidz Kafe	30,000	--
Environmental justice	--	618
Clean and green	120,156	181,901
Nutrition education/healthcare	91,855	66,195
Tree farming	--	84,625
Urban farming	--	20,160
401(k) matching	41,525	50,125
	<u>\$ 1,512,730</u>	<u>\$ 1,737,398</u>

The following is a schedule of the temporarily restricted net assets that were released from donor restrictions for the years ended June 30:

	2016	2015
Time and purpose restriction		
Capital projects (Urban Environmental Center of NJ)	\$ 126,594	\$ 1,344,612
Purpose restriction		
Clean and green	96,745	37,175
Environmental justice	618	2,387
Nutrition education/healthcare	60,323	46,546
Tree farming	84,625	73,130
Urban farming	20,160	--
401(k) matching	8,600	12,476
	<u>\$ 397,665</u>	<u>\$ 1,516,326</u>

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11. NOTE PAYABLE

Note payable consists of the following at June 30:

	2016	2015
Note payable with the Prudential Foundation, interest at 2 percent due in annual installments, including interest, of \$100,000 through June 1, 2017.	\$ 97,837	\$ 193,923
Less: Current maturities	<u>97,837</u>	<u>96,086</u>
Note payable, net of current maturities	<u>\$ --</u>	<u>\$ 97,837</u>

The note payable is guaranteed by a Trustee of the Conservancy.

12. OPERATING LEASE

The Conservancy has a 60 month non-cancellable lease for certain equipment which expires in April 2020. Rental expense amounted to approximately \$9,000 for each of the years ended June 30, 2016 and 2015. Future minimum lease payments under the non-cancellable lease are as follows:

Years Ended June 30,	Amount
2017	\$ 11,496
2018	11,496
2019	11,496
2020	<u>9,580</u>
	<u>\$ 44,068</u>

13. SUBSEQUENT EVENTS

The Conservancy has evaluated subsequent events occurring after the statement of financial position date through the date of December 6, 2016. Based upon this evaluation, the Conservancy has determined that no subsequent events have occurred, which require adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

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*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Greater Newark Conservancy, Inc.:

We have audited, in accordance with 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 Greater Newark Conservancy, Inc. (the "Conservancy") which comprise the statement of financial position as of June 30, 2016 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended and the related notes to the financial statements and have issued our report thereon dated December 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Conservancy'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy'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 Conservancy'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Conservancy's financial statements are free from 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 Conservancy'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 Conservancy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Withum Smith + Brown, PC

December 6, 2016