



GREATER NEWARK CONSERVANCY, INC.

Financial Statements

June 30, 2017 and 2016

With Independent Auditors' Reports

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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, 2017 and 2016, 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.

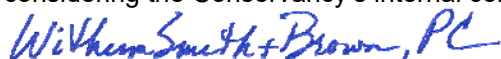
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, 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 November 28, 2017 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.



November 28, 2017

Greater Newark Conservancy, Inc.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 713,152	\$ 1,275,932
Investments	8,352	139,288
Due from governmental agencies, net	230,920	167,604
Contributions receivable, net	313,908	172,736
Accounts receivable	34,686	31,434
Prepaid expenses	10,970	17,993
Total current assets	<u>1,311,988</u>	<u>1,804,987</u>
Property and equipment, net	9,142,509	9,424,637
Trademark	<u>2,525</u>	<u>2,525</u>
Total assets	<u>\$ 10,457,022</u>	<u>\$ 11,232,149</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 140,228	\$ 152,509
Grant advances payable	25,900	271,531
Note payable - current portion	<u>--</u>	<u>97,837</u>
Total current liabilities	166,128	521,877
Net assets		
Unrestricted		
Board designated for 25th anniversary fund	299,442	299,442
Investment in property and equipment	9,142,509	9,424,637
Available for general operations	<u>(654,457)</u>	<u>(526,537)</u>
Total unrestricted net assets	8,787,494	9,197,542
Temporarily restricted	<u>1,503,400</u>	<u>1,512,730</u>
Total net assets	<u>10,290,894</u>	<u>10,710,272</u>
	<u>\$ 10,457,022</u>	<u>\$ 11,232,149</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, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions						
Foundation grants	\$ 626,412	\$ 244,470	\$ 870,882	\$ 786,281	\$ 172,997	\$ 959,278
Corporate grants	129,614	--	129,614	48,793	--	48,793
Government grants	524,823	--	524,823	384,127	--	384,127
Trustee contributions	53,050	--	53,050	58,439	--	58,439
Individual contributions	45,434	--	45,434	57,031	--	57,031
25th anniversary fund contributions	--	--	--	15,000	--	15,000
Special events, net of direct expenses of \$18,361 and \$43,566 in 2017 and 2016, respectively	110,118	--	110,118	165,046	--	165,046
Program service fees	218,147	--	218,147	157,563	--	157,563
Investment income	60	--	60	184	--	184
In-kind contributions	3,930	--	3,930	30,550	--	30,550
Miscellaneous income	4,469	--	4,469	3,591	--	3,591
	<u>1,716,057</u>	<u>244,470</u>	<u>1,960,527</u>	<u>1,706,605</u>	<u>172,997</u>	<u>1,879,602</u>
Net assets released due to satisfaction of time or purpose restriction	<u>253,800</u>	<u>(253,800)</u>	<u>--</u>	<u>397,665</u>	<u>(397,665)</u>	<u>--</u>
	1,969,857	(9,330)	1,960,527	2,104,270	(224,668)	1,879,602
Expenses						
Program services	1,907,427	--	1,907,427	1,714,602	--	1,714,602
Management and general	231,140	--	231,140	390,169	--	390,169
Fundraising	241,338	--	241,338	160,675	--	160,675
	<u>2,379,905</u>	<u>--</u>	<u>2,379,905</u>	<u>2,265,446</u>	<u>--</u>	<u>2,265,446</u>
Changes in net assets	(410,048)	(9,330)	(419,378)	(161,176)	(224,668)	(385,844)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 8,787,494</u>	<u>\$ 1,503,400</u>	<u>\$ 10,290,894</u>	<u>\$ 9,197,542</u>	<u>\$ 1,512,730</u>	<u>\$ 10,710,272</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, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Changes in net assets	\$ (419,378)	\$ (385,844)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation	284,615	141,050
Bad debt expense	5,400	119,543
Present value adjustment on contributions receivable	(16,322)	(14,651)
Accretion of debt	2,163	3,914
Changes in assets and liabilities		
Due from governmental agencies	(68,716)	173,253
Contributions receivable	(124,850)	733,762
Accounts receivable	(3,252)	(2,803)
Prepaid expenses	7,023	42,983
Accounts payable and accrued expenses	(12,281)	(147,719)
Grant advances payable	<u>(245,631)</u>	<u>271,531</u>
Net cash (used) provided by operating activities	(591,229)	935,019
Cash flows from investing activities		
Proceeds from sales of certificates of deposit	130,996	130,949
Purchases of certificates of deposit and reinvested investment income	(60)	(130,949)
Purchases of property and equipment	(2,487)	(38,331)
Increase in construction in progress	<u>--</u>	<u>(126,594)</u>
Net cash provided (used) by investing activities	128,449	(164,925)
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	(562,780)	670,094
Cash and cash equivalents		
Beginning of year	<u>1,275,932</u>	<u>605,838</u>
End of year	<u>\$ 713,152</u>	<u>\$ 1,275,932</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 6,177</u>	<u>\$ 4,725</u>
Donated materials and supplies	<u>\$ 3,930</u>	<u>\$ 30,550</u>
Non-cash investing activities		
Reclassification of construction in progress to property and equipment	<u>\$ --</u>	<u>\$ 5,880,392</u>

There were no amounts paid for incomes taxes during the years ended June 30, 2017 and 2016.

Greater Newark Conservancy, Inc.
Statements of Functional Expenses
Year Ended June 30, 2017

	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	\$ 241,230	\$ 9,583	\$ 293,172	\$ 295,362	\$ 93,953	\$ 69,211	\$ 1,002,511	\$ 111,301	\$ 167,005	\$ 1,280,817
Fringe benefits	61,042	1,745	77,778	70,820	21,831	12,705	245,921	22,574	34,217	302,712
Occupancy	19,469	101	4,467	5,709	3,109	1,319	34,174	4,538	2,700	41,412
Telephone	3,602	94	4,237	4,397	1,682	164	14,176	1,859	2,505	18,540
Office expenses	10,320	52	4,023	5,698	1,366	83	21,542	18,229	7,094	46,865
Postage	404	--	341	398	103	14	1,260	778	1,244	3,282
Equipment	2,649	64	4,163	7,668	888	106	15,538	3,978	1,663	21,179
Repairs and maintenance	7,245	--	527	4,184	300	6	12,262	3,372	455	16,089
Dues and subscriptions	150	--	--	--	50	--	200	904	50	1,154
Insurance	11,352	355	25,774	9,971	14,510	2,102	64,064	13,103	2,185	79,352
Printing	1,700	31	1,433	1,588	1,035	62	5,849	7,264	1,128	14,241
Travel and vehicle expense	4,968	7	19,094	114	2,237	1,632	28,052	2,022	192	30,266
Professional services	19,062	172	15,922	12,378	3,733	3,135	54,402	12,522	9,665	76,589
Program expenses	56,250	--	24,586	10,654	7,848	3,593	102,931	--	--	102,931
Conferences and seminars	192	--	--	45	12	--	249	2,095	248	2,592
Landscaping supplies and expenses	--	--	45,692	--	--	--	45,692	--	--	45,692
Depreciation	215,452	--	12,296	11,178	18,044	560	257,530	16,466	10,619	284,615
Bad debt expense	--	--	--	--	--	--	--	5,400	--	5,400
Interest expense	359	--	554	51	103	7	1,074	4,735	368	6,177
	<u>\$ 655,446</u>	<u>\$ 12,204</u>	<u>\$ 534,059</u>	<u>\$ 440,215</u>	<u>\$ 170,804</u>	<u>\$ 94,699</u>	<u>\$ 1,907,427</u>	<u>\$ 231,140</u>	<u>\$ 241,338</u>	<u>\$ 2,379,905</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, 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.

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 8,000 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, nutritional health lessons and activities, and farm to school programming. Since the Prudential Outdoor Learning Center opened 13 years ago, it has hosted over 32,000 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 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 Newark’s low-income residents.

The Conservancy’s job training program includes four components – the Newark Youth Leadership Project (“NYLP”), the City Bloom Landscaping initiative, the clean and green transitional job training program, and the New Jersey Reentry Corporation operated NJRC program. The NYLP component of the Conservancy’s Job Training Program provides supervised training in landscaping, horticulture, education, and office administration for up to 60 Newark high school youth each year, seeking to increase employability. The program provides participants with a sample of career options in various environmental fields, an appreciation for their urban environment, and opportunities for pursuing higher education. In January 2016, the Conservancy launched its City Bloom Landscaping initiative, which is a fee-for-service landscaping business that generates revenue to help support Conservancy programming while at the same time providing job training experience for ex-offenders. Participants learn skills in the fields of landscaping, horticulture, hardscaping, light construction, and equipment maintenance. Trainees who complete the program are better qualified to seek more permanent employment in the landscaping industry. This past year, City Bloom Landscaping program earned \$176,000 in revenue and trained ten ex-offenders. The clean and green transitional job training program works with formerly 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. Another component of the Conservancy’s reentry program for ex-offenders is the New Jersey Reentry Corporation (“NJRC”). In November 2015 the Conservancy became a designated satellite site of the NJRC, serving all of Essex County. This initiative provides counseling to ex-offenders, including referrals for substance abuse treatment, job placement assistance, personal health assessment and referrals, housing assistance, legal services, and opportunities for continuing education. Annually, the NJRC at the Conservancy is serving between 500 – 600 Essex County ex-offenders (mostly from Newark) with a 60 percent job placement rate and an 11 percent recidivism rate (the statewide recidivism rate is 31 percent).

The Conservancy’s environmental justice program builds partnerships with Newark’s residences to promote urban environmental issues and strives to empower them to recognize their ability to improve the city’s environment. For a number of years, the Conservancy has actively advocated for quality of life issues in the city’s new master plan. More recently, the Conservancy has advocated for an environmentally sensitive cleanup of contamination in the lower Passaic River.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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, 2017 and 2016, 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.

Liquidity

The Conservancy had current assets of \$1,311,988, while its current liabilities and temporarily restricted net assets were \$166,128 and \$1,503,400, respectively. Additionally, the Conservancy had a change in unrestricted net assets of (\$410,048) and (\$161,176) for the years ended June 30, 2017 and 2016. The Conservancy is implementing cost cutting measures and made a priority to reduce the expenditure base. In addition, the Conservancy obtained a line of credit in the amount of \$350,000 during fiscal year ended June 30, 2017. As a result, the Conservancy has determined that it has adequate cash flow to meet its cash flow requirements through November 28, 2018.

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, 2017 and 2016.

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, 2017 and 2016. 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.

Two grantors/donors comprised 41 percent of total receivables as of June 30, 2017 and three grantors/donors comprised 68 percent of total receivables at June 30, 2016. One grantor comprised 22 percent of total revenue for the year ended June 30, 2017 and one grantor comprised 15 percent of total revenue for the year ended June 30, 2016.

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 activities and changes in net assets. The Conservancy had no unrecognized benefits at June 30, 2017 and 2016 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.

Greater Newark Conservancy, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

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. In addition to the above disclosures the ASU 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, 2017 and 2016:

	2017	2016
Certificates of deposit	\$ --	\$ 130,943
Mutual fund	<u>8,352</u>	<u>8,345</u>
	<u>\$ 8,352</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:

	2017	2016
City of Newark - CDBG	\$ --	\$ 19,916
City of Newark - Clean and Green	11,843	11,843
City of Newark - Hotspot	135,845	135,845
City of Newark - Central Ward Initiative	115,543	115,543
State of New Jersey - NJRC	42,232	--
U.S. EPA - Environmental Education Grant	<u>41,000</u>	<u>--</u>
	346,463	283,147
Less: allowance for doubtful accounts	<u>(115,543)</u>	<u>(115,543)</u>
Due from governmental agencies, net	<u>\$ 230,920</u>	<u>\$ 167,604</u>

Greater Newark Conservancy, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

5. GRANT ADVANCES PAYABLE

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

	2017	2016
State of New Jersey - NJRC	\$ 25,900	\$ 227,362
U.S. EPA - Environmental Education Grant	--	44,169
	<u>\$ 25,900</u>	<u>\$ 271,531</u>

6. CONTRIBUTIONS RECEIVABLE

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

	2017	2016
Less than 1 year	\$ 313,908	\$ 189,058
Less: Discounts to net present value at 2 percent	--	16,322
	<u>\$ 313,908</u>	<u>\$ 172,736</u>

7. PROPERTY AND EQUIPMENT, NET

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

	Estimated Useful Life (Years)	2017	2016
Land	N/A	\$ 74,325	\$ 74,325
Main Building (Education Center)	40	5,876,894	5,875,965
Field equipment	5	20,200	19,633
Vehicles	5	136,086	136,086
Office equipment	5	209,517	208,115
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	11,775	11,775
		<u>10,520,633</u>	<u>10,517,735</u>
Less: Accumulated depreciation and amortization		<u>(1,378,124)</u>	<u>(1,093,098)</u>
Property and equipment, net		<u>\$ 9,142,509</u>	<u>\$ 9,424,637</u>

Depreciation expense amounted to \$284,615 and \$141,050 for the years ended June 30, 2017 and 2016, respectively.

8. 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, 2017 and 2016, was \$0- and \$8,600, respectively.

Greater Newark Conservancy, Inc.
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9. 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 for each of the years ended June 30, 2017 and 2016.

Temporarily restricted net assets

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

	2017	2016
Time and purpose restriction		
Capital projects	\$ 1,236,172	\$ 1,229,194
Purpose restriction		
Fatherhood N Kidz Kafe	--	30,000
Summer camp - education	50,000	--
Clean and green	--	120,156
Nutrition education/healthcare	80,703	91,855
Motherhood program	25,000	--
401(k) matching	41,525	41,525
Time restrictions	70,000	--
	<u>\$ 1,503,400</u>	<u>\$ 1,512,730</u>

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

	2017	2016
Time and purpose restriction		
Capital projects	\$ 6,898	\$ 126,594
Purpose restriction		
Clean and green	120,156	96,745
Environmental justice	--	618
Nutrition education/healthcare	96,746	60,323
Tree farming	--	84,625
Urban farming	--	20,160
Fatherhood N Kidz Kafe	30,000	--
401(k) matching	--	8,600
	<u>\$ 253,800</u>	<u>\$ 397,665</u>

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10. NOTE PAYABLE

Note payable consists of the following at June 30:

	2017	2016
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
Less: Current maturities	<u> --</u>	<u> 97,837</u>
Note payable, net of current maturities	<u>\$ --</u>	<u>\$ --</u>

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

11. LINE OF CREDIT

The Conservancy has a line of credit, due on demand, from a financial institution for a maximum borrowing of \$350,000 expiring February 24, 2018. Interest is computed at 5.672 percent plus LIBOR rate. The borrowings are secured by the Conservancy's assets. At June 30, 2017, \$-0- was outstanding on this line of credit and no funds were borrowed during the year.

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 \$11,000 for each of the years ended June 30, 2017 and 2016. Future minimum lease payments under the non-cancellable lease are as follows:

Years Ended June 30,	Amount
2018	\$ 11,496
2019	11,496
2020	<u> 9,580</u>
	<u>\$ 32,572</u>

13. SUBSEQUENT EVENTS

The Conservancy has evaluated subsequent events occurring after the statement of financial position date through the date of November 28, 2017. 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, 2017 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 November 28, 2017.

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

November 28, 2017