



**GREATER NEWARK CONSERVANCY, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2018 and 2017**

GREATER NEWARK CONSERVANCY, INC.
FINANCIAL STATEMENTS
June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Greater Newark Conservancy, Inc.
Newark, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Newark Conservancy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit 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 auditor's 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 entity'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 entity'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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 11 to the financial statements, the opening balances were restated to reflect expenses in prior years that should have been capitalized and restricted net assets that should have been released from restrictions. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019, on our consideration of the Greater Newark 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 Greater Newark Conservancy, Inc.'s internal control over financial reporting and compliance.



German, Vreeland & Associates, LLP
Cedar Knolls, New Jersey
February 25, 2019

GREATER NEWARK CONSERVANCY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2018

<u>ASSETS</u>	2018
Current assets	
Cash and cash equivalents	\$ 556,222
Investments	8,408
Due from government agencies, net	204,574
Contributions receivable, net	437,625
Accounts receivable	60,350
Prepaid expenses	10,283
Total current assets	<u>1,277,462</u>
Property and equipment, net	9,122,235
Trademark	<u>2,525</u>
 TOTAL ASSETS	 <u><u>\$ 10,402,222</u></u>
 <u>LIABILITIES AND NET ASSETS</u>	
Current liabilities	
Accounts payable and accrued expenses	\$ 120,484
Total current liabilities	<u>120,484</u>
Net assets	
Unrestricted	
Board designated for 25th anniversary fund	299,442
Investment in property and equipment	9,122,235
Available for general operations	<u>(522,500)</u>
Total unrestricted net assets	8,899,177
Temporarily restricted	<u>1,382,561</u>
Total net assets	<u>10,281,738</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 10,402,222</u></u>

See accompanying notes.

GREATER NEWARK CONSERVANCY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended June 30, 2018

	2018		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
SUPPORT AND REVENUE			
Contributions			
Foundation grants	\$ 522,594	\$ 348,575	\$ 871,169
Corporate grants	62,988	-	62,988
Government grants	361,338	-	361,338
Trustee contributions	72,721	-	72,721
Individual contributions	39,495	1,061	40,556
Special events, net of direct expenses of \$41,685 in 2018	204,388	-	204,388
Program service fees	285,050	-	285,050
Investment income	14	-	14
In-kind contributions	38,019	-	38,019
Gain on disposal of equipment	310	-	310
Miscellaneous income	8,746	-	8,746
	<u>1,595,663</u>	<u>349,636</u>	<u>1,945,299</u>
Net assets released due to satisfaction of time or purpose restrictions	<u>234,303</u>	<u>(234,303)</u>	<u>-</u>
Total support and revenue	<u>1,829,966</u>	<u>115,333</u>	<u>1,945,299</u>
 EXPENSES			
Program services	1,721,135	-	1,721,135
Management and general	251,131	-	251,131
Fundraising	248,602	-	248,602
Total expenses	<u>2,220,868</u>	<u>-</u>	<u>2,220,868</u>
 CHANGE IN NET ASSETS	<u>(390,902)</u>	<u>115,333</u>	<u>(275,569)</u>
 NET ASSETS, BEGINNING OF YEAR			
As previously reported	8,787,494	1,503,400	10,290,894
Adjustment for understatement of property and overstatement of restricted assets	502,585	(236,172)	266,413
Net assets at beginning of year, as restated	<u>9,290,079</u>	<u>1,267,228</u>	<u>10,557,307</u>
 NET ASSETS, END OF YEAR	<u>\$ 8,899,177</u>	<u>\$ 1,382,561</u>	<u>\$ 10,281,738</u>

See accompanying notes.

GREATER NEWARK CONSERVANCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program Services										
	Education/ Outdoor Learning Center	Environmental Justice	Community Greening and Urban Farming	Citibloom Landscaping	NYLP/ Farm Stand	NJ Reentry Services	Other Reentry Services	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 215,529	\$ 10,063	\$ 97,062	\$ 145,631	\$ 103,091	\$ 229,997	\$ 14,491	\$ 815,864	\$ 111,100	\$ 171,683	\$ 1,098,647
Fringe benefits	61,516	2,917	32,977	33,425	31,916	44,803	3,470	211,024	33,307	41,499	285,830
Occupancy	17,677	289	2,207	2,325	3,310	8,402	268	34,478	4,425	1,649	40,552
Telephone	2,642	131	1,385	1,290	1,333	2,907	182	9,870	1,852	2,171	13,893
Office supplies	12,388	197	1,994	2,687	1,722	6,538	577	26,103	7,254	5,512	38,869
Postage	128	7	77	52	59	133	-	456	881	1,600	2,937
Equipment	3,122	144	1,910	1,614	1,583	14,588	216	23,177	2,105	562	25,844
Repairs and maintenance	16,485	62	860	829	2,132	3,380	-	23,748	5,720	-	29,468
Dues and subscriptions	100	100	-	-	-	-	-	200	1,394	-	1,594
Insurance	14,171	261	9,464	9,571	9,929	12,148	-	55,544	8,340	6,942	70,826
Printing	2,264	60	1,121	557	1,063	1,543	90	6,698	4,773	1,610	13,081
Travel and vehicle expense	4,688	81	4,163	5,112	1,469	1,078	-	16,591	1,170	48	17,809
Professional services	36,298	689	5,841	6,674	6,065	15,354	4,895	75,816	3,976	10,005	89,797
Program expenses	33,807	-	19,464	-	6,464	11,537	1,390	72,662	-	-	72,662
Conferences and seminars	603	-	546	-	-	-	-	1,149	8,114	-	9,263
Landscaping supplies and expenses	-	-	-	84,463	-	-	-	84,463	-	-	84,463
Depreciation	217,537	381	5,657	4,027	5,082	8,931	728	242,343	36,507	5,321	284,171
Bank and interest charges	-	-	-	-	-	-	-	-	3,143	-	3,143
In-Kind expenses	350	-	20,599	-	-	-	-	20,949	17,070	-	38,019
Total expenses	<u>\$ 639,305</u>	<u>\$ 15,382</u>	<u>\$ 205,327</u>	<u>\$ 298,257</u>	<u>\$ 175,218</u>	<u>\$ 361,339</u>	<u>\$ 26,307</u>	<u>\$ 1,721,135</u>	<u>\$ 251,131</u>	<u>\$ 248,602</u>	<u>\$ 2,220,868</u>

See accompanying notes.

GREATER NEWARK CONSERVANCY, INC.
STATEMENT OF CASH FLOWS
Year Ended September 30, 2018

	2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (275,569)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	284,171
Gain on disposal of property	(310)
Change in net assets and liabilities	
Due from governmental agencies	26,346
Contributions receivable	(123,717)
Accounts receivable	(25,664)
Prepaid expenses	687
Accounts payable and accrued expenses	(19,744)
Grants advances payable	(25,900)
Net cash (used in) operating activities	<u>(159,700)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from disposal of property	7,100
Reinvested income	(56)
Purchases of property and equipment	(4,274)
Net cash provided by investing activities	<u>2,770</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(156,930)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>713,152</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 556,222</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:	
Interest paid	<u>\$ 1,197</u>
Donated materials and supplies	<u><u>\$ 38,019</u></u>

There were no amounts paid for income taxes during the year ended June 30, 2018.

See accompanying notes.

GREATER NEWARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 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: youth and family 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 6,600 inner-city schoolchildren from Newark and its environs. An additional 2,905 teachers, parents, senior citizens and the general public were served with nutrition and other programs. 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 14 years ago, it has hosted over 33,000 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 2.5 acre urban farm in Newark generated 12,000 pounds of fresh produce, bringing fresh, nutritious vegetables to Newark's low-income residents.

The Conservancy's job training program includes three components – the Newark Youth Leadership Project ("NYLP"), the City Bloom Landscaping initiative and the New Jersey Reentry Corporation reentry program. The NYLP Program provides supervised training in landscaping, horticulture, education, and office administration for up to 40 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 \$243,543 in revenue and trained ten ex-offenders. 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 52 percent job placement rate and a 10 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 actively advocated for quality of life issues in the city's new master plan.

GREATER NEWARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 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 year ended June 30, 2018, 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 \$1,277,462, while its current liabilities and temporarily restricted net assets were \$120,484 and \$1,382,561, respectively. Additionally, the Conservancy had a change in unrestricted net assets of (\$390,902) for the year ended June 30, 2018 and an increase of \$502,585 to unrestricted net assets for prior period adjustments for a net increase in unrestricted net assets of \$111,683. 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.

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 statement 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 statement 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 statement 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 judgement including such factors as prior collection history and type of contribution. Management has determined that no allowance was required as of June 30, 2018.

GREATER NEWARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 cost of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets and in the statement 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 year ended June 30, 2018. 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 40 percent of total receivables as of June 30, 2018 and one grantor comprised 19 percent of total revenue for the year ended June 30, 2018.

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 statement of activities and changes in net assets. The Conservancy had no unrecognized benefits at June 30, 2018, and has incurred no interest or penalties related to income taxes for the period presented in their financial statements.

GREATER NEWARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 Financial Accounting Standards Board (FASB) issued Accounting Standard Update (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.

NOTE 3 – INVESTMENTS

The Conservancy’s investments consisted of the following at June 30, 2018:

	<u>2018</u>
Mutual fund	<u>\$ 8,408</u>

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.

GREATER NEWARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 – DUE FROM GOVERNMENTAL AGENCIES

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

	<u>2018</u>
City of Newark – Hotspot	\$141,830
City of Newark – Central Ward Initiative	115,543
State of New Jersey – NJRC	<u>62,744</u>
	320,117
Less: allowance for doubtful accounts	<u>(115,543)</u>
Due from governmental agencies, net	<u>\$ 204,574</u>

NOTE 5 – CONTRIBUTIONS RECEIVABLE

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

	<u>2018</u>
Less than 1 year	\$ 437,625
Less: Discounts to net present value at 2 percent	<u>-</u>
Total	<u>\$ 437,625</u>

NOTE 6 – PROPERTY AND EQUIPMENT, NET

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

	Estimated Useful Life (Years)	<u>2018</u>
Land	N/A	\$ 74,325
Main Building (Education Center)	40	6,150,138
Field equipment	5	20,386
Vehicles	5	121,836
Office equipment	5	209,517
Leasehold improvements	15	50,198
Outdoor Learning Center	40	3,247,483
Office building and improvements	40	894,155
Tent	5	<u>11,775</u>
		10,779,813
Less: Accumulated depreciation and amortization		<u>(1,657,578)</u>
Property and equipment, net		<u>\$ 9,122,235</u>

Depreciation expense amounted to \$284,171 for the year ended June 30, 2018.

GREATER NEWARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 – NET ASSETS

Board designated net assets

Board designated net assets are classified as unrestricted net assets in the statement 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 the year ended June 30, 2018.

Temporarily restricted net assets

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

	<u>2018</u>
Time and purpose restrictions	
Capital projects	\$ 1,001,061
Purpose restrictions	
Farmstand	25,000
Newark Youth Leadership Project	30,000
Other reentry	102,780
Nutrition education/healthcare	70,795
401(k) matching	32,925
Education-interdisciplinary program	50,000
Time restrictions	<u>70,000</u>
	<u>\$ 1,382,561</u>

The following represents temporarily restricted net assets released from donor restrictions for the years ended June 30:

	<u>2018</u>
Time and purpose restrictions	
Capital projects	\$ -
Purpose restrictions	
Nutrition education/healthcare	80,703
Summer camp – education	50,000
Motherhood program	25,000
401(k) matching	8,600
Time restrictions	<u>70,000</u>
	<u>\$ 234,303</u>

GREATER NEWARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 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, 2018 was \$8,600.

NOTE 9 – 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 April 1, 2019. Interest is computed at 5.672 percent plus LIBOR rate. The borrowings are secured by the Conservancy’s assets. As June 30, 2018, \$-0- was outstanding on this line of credit and no funds were borrowed during the year.

NOTE 10 – 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 the year ended June 30, 2018. Future minimum lease payments under the non-cancellable lease are as follows:

<u>Years ended June 30,</u>	<u>Amount</u>
2019	\$19,350
2020	<u>9,678</u>
	<u>\$29,028</u>

NOTE 11 – PRIOR PERIOD ADJUSTMENT

Net assets as of the beginning of the fiscal year have been adjusted to increase fixed assets and release restricted net assets for adjustments to balances not previously recognized in prior years. The correction has no effect on the results of the current year’s activities; however, the cumulative effect increased net assets by \$266,413.

NOTE 12 – SUBSEQUENT EVENTS

The Conservancy has evaluated subsequent events occurring after the statement of financial position date through the date of February 25, 2019. Based upon this evaluation, the Conservancy has determined that no subsequent events have occurred, which require adjustment to or disclosure in the financial statements.

GERMAN, VREELAND & ASSOCIATES, LLP

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RETIRED
LOUIS T. GERMAN (1923 - 2013)
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INDEPENDENT AUDITOR'S 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 Directors of
Greater Newark Conservancy, Inc.
Newark, New Jersey

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 Greater Newark Conservancy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Greater Newark Conservancy, Inc.'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 Greater Newark Conservancy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Greater Newark Conservancy, Inc.'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greater Newark Conservancy, Inc.'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 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.



German, Vreeland & Associates, LLP

Cedar Knolls, New Jersey

February 25, 2019