

DRAFT

NEW JERSEY HIGHLANDS COALITION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NEW JERSEY HIGHLANDS COALITION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Jersey Highlands Coalition

Report on the Financial Statements

I have audited the accompanying financial statements of the New Jersey Highlands Coalition (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Jersey Highlands Coalition as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

, 2018
Hillsborough, NJ

NEW JERSEY HIGHLANDS COALITION
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash	\$ 262,013	\$ 420,437
Accounts receivable	1,560	-
Prepaid expenses	3,015	2,967
Furniture & equipment, net of accumulated depreciation	9,788	11,677
Cash held for other organizations	46,209	39,849
Security deposit	1,900	1,900
	<u>\$ 324,485</u>	<u>\$ 476,830</u>

Liabilities & Net Assets

Current liabilities		
Accounts payable & accrued expenses	\$ 15,028	\$ 12,106
Funds held for other organizations	46,209	39,849
Grants received in advance	95,294	280,915
	<u>156,531</u>	<u>332,870</u>
Net assets		
Unrestricted		
Undesignated	122,741	90,815
Board designated	25,000	11,000
	<u>147,741</u>	<u>101,815</u>
Temporarily restricted	20,213	42,145
	<u>167,954</u>	<u>143,960</u>
	<u>\$ 324,485</u>	<u>\$ 476,830</u>

See accompanying notes to financial statements.

NEW JERSEY HIGHLANDS COMLITION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted Designated	Total	Temporarily Restricted	Unrestricted Designated	Total	Temporarily Restricted
Public support						
Contributions	\$ 108,279	\$ 108,279	\$ 5,000	\$ 92,418	\$ 92,418	\$ 22,930
Corporate contributions	3,000	3,000	-	3,700	3,700	-
Foundational grants	352,583	352,583	-	333,999	333,999	-
	463,862	468,862	5,000	430,117	430,117	22,930
Other revenue						
Special events, net of Gross income	43,220	43,220	-	34,639	34,639	-
Direct expenses	(14,046)	(14,046)	-	(13,067)	(13,067)	-
	29,174	29,174	-	21,572	21,572	-
Interest	980	980	-	1,096	1,096	-
	30,154	30,154	-	22,668	22,668	-
Total support & revenue	494,016	499,016	5,000	452,785	452,785	22,930
Net assets released from restriction						
Net assets released from restriction	26,932	26,932	(26,932)	20,320	15,320	(5,000)
Net assets designated	(14,000)	-	-	(10,050)	-	10,050
	12,932	26,932	(26,932)	10,270	15,320	(5,050)
	506,948	520,948	(21,932)	463,055	468,105	7,610
Functional expenses						
Program Management & general	354,564	354,564	-	348,623	348,623	-
Fund raising	59,101	59,101	-	47,706	47,706	-
	61,357	61,357	-	59,540	59,540	-
Total expenses	475,022	475,022	-	455,869	455,869	-
Increase (decrease) in net assets	31,926	45,926	(21,932)	7,186	12,236	7,610
Net assets, beginning of period	90,815	101,815	42,145	83,629	89,579	34,535
Net assets, end of period	\$ 122,741	\$ 147,741	\$ 20,213	\$ 90,815	\$ 101,815	\$ 42,145

See accompanying notes to financial statements.

NEW JERSEY HIGHLANDS COALITION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Direct Program	Management & General	Fund Raising	Direct Program	Management & General	Fund Raising
Salaries	\$ 207,383	\$ 24,643	\$ 44,034	\$ 176,827	\$ 23,345	\$ 41,012
Payroll tax & fringe	40,682	4,834	8,638	42,765	5,646	9,918
	<u>248,065</u>	<u>29,477</u>	<u>52,672</u>	<u>219,592</u>	<u>28,991</u>	<u>50,930</u>
			<u>330,214</u>			<u>299,513</u>
Grants awarded	25,335	-	-	30,050	-	-
Occupancy	10,863	1,291	2,306	10,602	1,400	2,459
Office supplies	1,906	227	405	1,817	240	422
Printing & postage	5,552	660	1,179	6,112	807	1,417
Telephone	6,235	741	1,324	4,358	575	1,011
Insurance	2,112	251	448	2,042	269	473
Advertising	1,921	-	-	2,170	-	-
Professional fees	31,150	24,763	-	54,450	13,815	-
Meetings	2,046	243	434	1,201	158	279
Training	860	-	-	1,459	-	-
Travel	7,238	860	1,537	7,625	1,007	1,769
Project expenses	6,325	-	-	3,780	-	-
Miscellaneous	1,959	232	416	1,389	183	322
	<u>351,567</u>	<u>58,745</u>	<u>60,721</u>	<u>346,647</u>	<u>47,445</u>	<u>59,082</u>
			<u>471,033</u>			<u>453,174</u>
Depreciation	2,997	356	636	1,976	261	458
	<u>\$ 354,564</u>	<u>\$ 59,101</u>	<u>\$ 61,357</u>	<u>\$ 348,623</u>	<u>\$ 47,706</u>	<u>\$ 59,540</u>
			<u>\$ 475,022</u>			<u>\$ 455,869</u>

See accompanying notes to financial statements.

NEW JERSEY HIGHLANDS COALITION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase in net assets	\$ 23,994	\$ 19,846
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:		
Depreciation	3,989	2,695
(Increase) decrease in:		
Accounts receivable	(1,560)	2,843
Prepaid expenses	(48)	(76)
Cash held for other organizations	(6,360)	8,556
Increase (decrease) in:		
Accounts payable & accrued expenses	2,922	9,121
Funds held for other organizations	6,360	(8,556)
Festival fees received in advance	-	(2,300)
Grants received in advance	<u>(185,621)</u>	<u>57,001</u>
Net cash provided by (used in) operating activities	(156,324)	89,130
Cash flows from investing activities		
Acquisition of office equipment	<u>(2,100)</u>	<u>(7,383)</u>
Net cash used in financing activities	<u>(2,100)</u>	<u>(7,383)</u>
Net increase (decrease) in cash	(158,424)	81,747
Cash, beginning of period	<u>420,437</u>	<u>338,690</u>
Cash, end of period	<u>\$ 262,013</u>	<u>\$ 420,437</u>

See accompanying notes to financial statements.

NEW JERSEY HIGHLANDS COALITION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

(1) Nature of Activities

The mission of the New Jersey Highlands Coalition (the Coalition) is to advocate for the protection, preservation, and enhancement of the water, forests, wildlife, farmland and other natural, historic and cultural resources of the New Jersey Highlands, and to enhance the sustainability of natural and human communities and the quality of life for current and future generations.

(2) Summary of Significant Accounting Policies

Financial statement presentation

In accordance with generally accepted accounting principles, the Coalition reports its statements of financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Coalition has unrestricted net assets and temporarily restricted net assets as of June 30, 2018 and 2017.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor-imposed restrictions.

Grants received in advance

Grant revenue is recorded during the period for which the funds are intended or in which the related activities are performed. Amounts received in advance are recognized as revenue during the intended period.

Functional expenses

Expenses are charged to program, management & general, or fund raising based on direct expenses incurred. Any expenses not directly chargeable are allocated to programs based on applicable rates determined by management.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

For purposes of the statement of cash flows, cash includes demand deposits in financial institutions.

Furniture & equipment

Acquisitions of office furniture and equipment with useful lives in excess of one year are capitalized and depreciated over the estimated useful life of each asset using the straight line method.

NEW JERSEY HIGHLANDS COALITION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Income taxes

The Coalition is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes.

Concentrations of credit and market risk

Financial instruments that potentially expose the Coalition to concentrations of credit and market risk consist primarily of cash which is maintained in a high-quality financial institution. The Coalition has not experienced any losses on its cash.

Accounting for uncertainty in income taxes

The Coalition's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violations of tax status or exposure to uncertain tax positions that could require accrual or which could affect its liquidity or future cash flows. The Coalition's exempt organization filings for the years ended June 30, 2015 through 2018 are subject to examination by the Internal Revenue Service and the State of New Jersey. Further, the Internal Revenue Service may examine the Coalition's financial activities for income and unrelated business income tax for those years.

New accounting pronouncements

The Financial Accounting Standards Board (FASB) issued Update No. 2016-02, *Leases* (Topic 842), in February 2016. Under this guidance lessees are required to record most leases on their balance sheets but recognize expenses in the income statement. All entities will classify leases to determine how to recognize lease-related revenue and expense. In applying this guidance, entities must also determine whether an arrangement contains a lease or service agreement. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Management is evaluating the impact of this updated guidance on its financial statements.

The Financial Accounting Standards Board (FASB) issued Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), in August 2016. Under this guidance, not-for-profit entities will report *net assets with donor restrictions* and *net assets without donor restrictions* instead of the currently-required three classes. Not-for-profit entities will also provide enhanced disclosures regarding board designations, composition of net assets with donor restrictions, management of liquid resources available to meet cash needs, cost allocation among program and support functions, and underwater endowment funds. Further, the guidance requires reporting of investment returns net of investment expenses and clarifies accounting and disclosure for gifts restricted to the acquisition or construction of long-lived assets. The amendments in this Update are effective for years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Management is evaluating the impact of this updated guidance on its financial statements.

NEW JERSEY HIGHLANDS COALITION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

The Financial Accounting Standards Board (FASB) issued Update No 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*, in November 2016, requiring a statement of cash flows to explain the change during the period in total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update are effective for fiscal years beginning after December 31, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, and the Update should be applied using a retrospective transition method to each period presented. Management is evaluating the impact the updated standard will have on the financial statements.

(3) Furniture & Equipment

As of June 30, furniture and equipment consists of the following:

	<u>2018</u>	<u>2017</u>
Office furniture	\$ 2,050	\$ 2,050
Office equipment	<u>28,969</u>	<u>26,869</u>
	31,019	28,919
Less accumulated depreciation	<u>21,231</u>	<u>17,242</u>
	<u>\$ 9,788</u>	<u>\$11,677</u>

(4) Special Events

During the years ended June 30, 2018 and 2017 the Coalition held the following special events:

	<u>Gross</u> <u>Income</u>	<u>Direct</u> <u>Expense</u>	<u>Net</u> <u>Income</u>
<u>2018</u>			
Golf Outing	\$23,795	\$ 7,928	\$15,867
Pub Crawl	15,955	4,691	11,264
Road Rally	2,530	694	1,836
Art Show	<u>1,940</u>	<u>1,186</u>	<u>754</u>
	<u>\$44,220</u>	<u>\$14,499</u>	<u>\$29,721</u>
<u>2017</u>			
Golf Outing	\$18,690	\$ 7,407	\$11,283
Pub Crawl	10,429	2,647	7,782
Road Rally	2,104	1,364	740
Other events	<u>3,416</u>	<u>1,649</u>	<u>1,767</u>
	<u>\$34,639</u>	<u>\$13,067</u>	<u>\$21,572</u>

NEW JERSEY HIGHLANDS COALITION
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2018 AND 2017

(5) Pension

The Coalition sponsors a Simple IRA pension plan. In addition to employee elective deferrals, the Coalition contributes 3% of eligible salaries. All full time employees are eligible to participate, and employer contributions are 100% vested upon deposit. Employer contributions were \$5,492 and \$5,380 for the years ended June 30, 2018 and 2017, respectively.

(6) Board Designated Net Assets

During the year ended June 30, 2015, the Coalition changed the timing of its grant awards from June to October. The Board designated \$25,000 and \$11,000 as of June 30, 2018 and 2017, respectively, for grants to be awarded the following October.

(7) Temporarily Restricted Net Assets

The Coalition receives contributions with donor-imposed use restrictions. As of June 30, 2018 and 2017, temporarily restricted net assets consist of:

	<u>2018</u>	<u>2017</u>
Sparta Mountain	\$ -	\$12,645
Environmental grants	5,000	4,000
Cultural resource awards	12,213	25,000
Lopatcong Creek	<u>3,000</u>	<u>500</u>
	<u>\$20,213</u>	<u>\$42,145</u>

(8) Operating Lease Commitments

The Coalition leases office space in Boonton, NJ. The following is a schedule for minimum future lease commitments as of June 30, 2018

Year ending June 30,	
2019	\$13,800
2020	<u>5,750</u>
	<u>\$19,550</u>

Rent expense for 2018 and 2017 was \$13,800 annually.

(9) Evaluation of Subsequent Events

The Coalition has evaluated subsequent events through _____, 2018, the date which the financial statements were available to be issued.