

**NUTLEY FAMILY
SERVICE BUREAU, INC.**

Financial Statements

December 31, 2019

NUTLEY FAMILY SERVICE BUREAU, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Nutley Family Service Bureau, Inc.
Nutley, New Jersey

We have audited the accompanying financial statements of Nutley Family Service Bureau, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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.

Auditors' 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. 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 Nutley Family Service Bureau, Inc. as of December 31, 2019, 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.

GELTRUDE & COMPANY, LLC

Nutley, New Jersey
October 16, 2020

NUTLEY FAMILY SERVICE BUREAU, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 369,860
Investments in marketable securities	46,061
Insurance and patient receivables, net	56,849
Prepaid expenses	3,782
Total Current Assets	<u>476,552</u>

PROPERTY AND EQUIPMENT

Building	223,239
Computer hardware and software	12,543
Furnitures and fixtures	18,458
Leasehold improvements	599,083
Land	100,255
	<u>953,578</u>
Less: accumulated depreciation	(192,353)
Total Property and Equipment, net	<u>761,225</u>

TOTAL ASSETS \$ 1,237,777

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 8,009
Accrued expenses	22,199
Total Current Liabilities	<u>30,208</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS

Without donor restrictions	<u>1,207,569</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 1,237,777

See Accompanying Notes to Financial Statements

NUTLEY FAMILY SERVICE BUREAU, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

REVENUE AND SUPPORT

Patient service fees	\$ 516,331
Thrift shop sales	135,585
Grants	62,500
Contributions	99,489
Special events	24,743
Gain on sale of property	315,265
Investment income	6,832
Total Revenue and Support	<u>1,160,745</u>

EXPENSES

Program services	726,645
Supporting services:	
Management and general	161,337
Fundraising	47,660
Total Expenses	<u>935,642</u>

INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS 225,103

NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR 982,466

NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR \$ 1,207,569

See Accompanying Notes to Financial Statements

NUTLEY FAMILY SERVICE BUREAU, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		Total
		Management and General	Fund- raising	
Salaries	\$ 489,967	\$ 100,840	\$ 39,946	\$ 630,753
Payroll taxes	43,057	8,891	3,522	55,470
Retirement plan contribution	10,885	2,248	890	14,023
Computer and bank charges	43,715	18,735	-	62,450
Bad debts	25,000	-	-	25,000
Insurance	20,668	2,296	-	22,964
Supplies and office expense	19,441	2,160	-	21,601
Building maintenance	19,147	2,128	-	21,275
Depreciation	19,172	2,130	-	21,302
Professional fees	-	16,502	-	16,502
Utilities	14,500	1,611	-	16,111
Telephone	7,394	1,849	-	9,243
Advertising	3,988	1,330	-	5,318
Travel and meals	4,979	-	-	4,979
Storage	2,547	-	-	2,547
Postage	-	617	1,440	2,057
Fundraising	-	-	1,862	1,862
Conferences and conventions	868	-	-	868
Food pantry supplies	662	-	-	662
Licenses and fees	416	-	-	416
Interest expense	239	-	-	239
Total Expenses	<u>\$ 726,645</u>	<u>\$ 161,337</u>	<u>\$ 47,660</u>	<u>\$ 935,642</u>

See Accompanying Notes to Financial Statements

NUTLEY FAMILY SERVICE BUREAU, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 225,103
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Donations of marketable securities	(13,025)
Gain on sale of property	(315,265)
Unrealized gains on marketable securities	(3,304)
Depreciation	21,302
Bad debts	25,000
Changes in operating assets and liabilities:	
Insurance and patient receivables	16,150
Prepaid expenses	1
Accounts payable	(64,669)
Accrued expenses	(10,314)
Net Cash Used in Operating Activities	<u>(119,021)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of property	350,430
Purchase of equipment	(3,089)
Purchases of marketable securities	(767)
Net Cash Provided by Investing Activities	<u>346,574</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 227,553

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 142,307

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 369,860

SUPPLEMENTAL DISCLOSURE OF CASH FLOW DATA

Interest paid	<u><u>\$ 239</u></u>
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See Accompanying Notes to Financial Statements

NUTLEY FAMILY SERVICE BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

1. ORGANIZATION AND NATURE OF ACTIVITIES

Nutley Family Service Bureau, Inc. (the “Organization”) was incorporated in the State of New Jersey as a not-for-profit organization in 1913 and provides mental health counseling, social service programs and community outreach initiatives to individuals and families in Northern New Jersey. In addition, the Organization operates a food pantry for the distribution of food donations to individuals and families in need, and a thrift shop for the sale of clothing and household items that have been donated to the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”), the FASB Accounting Standards Codification (ASC) 958, Not-for-profit Entities, and the provisions of Accounting Standards Update 2016-14 Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”). ASU 2016-14 requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Assets accumulated and resources received and expended by the Organization are either without donor restrictions or restricted by the donor for a particular purpose. Net assets with donor restrictions represent contributions to the Organization whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by expending the funds for their restricted purpose. The designation of net assets for specific purposes by the Organization itself does not constitute a basis for reclassifying them as net assets with donor restriction. None of the Organization assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as net assets without donor restrictions.

Use of Estimates – Preparing the Organization’s financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk and Uncertainties – The Organization is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy, both domestic and global, or other conditions in the geographical area.

Revenue and Support Recognition – Program service fees are recognized at the time of service. Patient insurance information is taken and any co-pays are collected at the time services are provided. The insurance company is then billed, and the balance, based on the Organization’s full billing rate, is recorded as a receivable.

Thrift shop sales are recognized as revenue at the time the goods are sold and the customer takes possession of the merchandise. The amount of revenue recognized is based on the amount of consideration that is received in exchange for the goods sold.

NUTLEY FAMILY SERVICE BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the year in which the contributions and grants are recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Additional revenues are obtained from various fundraising projects. These revenues are not restricted in their use and are used to offset both programs and support services. Revenues from these sources are recognized at the time the donation is received.

Cash and Cash Equivalents – The Organization considers all highly liquid investments, principally money market funds, purchased with a maturity of three months or less to be cash equivalents.

Investments in Marketable Securities – Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the statement of activities as an increase or decrease in net assets without donor restrictions unless the income or loss is restricted by the donor.

Insurance and Patient Receivables – Insurance and patient receivables are reported net of an allowance for doubtful accounts. Reimbursements by the insurance companies is primarily based on what they deem “reasonable and customary.” Management’s estimate of the allowance is based on past collection history and a review of the current status of receivables. There was an allowance for doubtful accounts of \$25,000 at December 31, 2019.

Property and Equipment – Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets which range from 5 years to 39 years. Expenditures for repairs, maintenance and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized. Upon retirement or other disposition of property and equipment, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations for the period.

Impairment of Long-Lived Assets – The Organization reviews long-lived assets to determine whether there has been any permanent impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the assets, the Organization recognizes an impairment loss. No impairment losses were recognized during the year ended December 31, 2019.

Functional Expenses – The costs of providing the programs and support services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between the programs and support services in reasonable ratios determined by management. The smaller related programs have not been shown separately because none of the programs are individually significant in relation to the mental health counseling and social service programs.

NUTLEY FAMILY SERVICE BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising - Advertising costs are expensed as incurred. Advertising expense was \$5,318 for the year ended December 31, 2019.

Income Tax Status – The Organization has obtained a determination of tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the accompanying financial statements.

GAAP require the management of the Organization to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2019, there are no uncertain positions taken or expected to be taken. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in process. Management believes the Organization is no longer subject to income tax examinations for years prior to 2016.

In-Kind Contributions – Donated property, marketable securities and other noncash donations are typically recorded as contributions at their estimated fair value at the date of donation. Food donations are estimated by management to have no fair value at the date of donation due to the perishable nature of the goods received. Donations of clothing and household items are not recorded as a contribution until the goods are sold and a fair value can be determined.

The Organization also receives significant donated services from the board of trustees and volunteers to support programs, fundraising, and management and general services. The value of these services is not included in these financial statements as they do not meet the criteria for recognition under not-for-profit accounting standards.

3. INVESTMENTS

Investments are stated at fair value. Fair values and unrealized appreciation at December 31, 2019 are as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Common stocks	\$ 39,674	\$ 44,745	\$ 5,071
Exchange Trade Fund	1,307	1,316	9
Totals	<u>\$ 40,981</u>	<u>\$ 46,061</u>	<u>\$ 5,080</u>

Investment returns on marketable securities for the year ended December 31, 2019 are as follows:

Dividend income	\$ 1,019
Unrealized gain on investments	<u>3,304</u>
	<u>\$ 4,323</u>

NUTLEY FAMILY SERVICE BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

4. LIQUIDITY AND AVAILABILITY

The Organization has \$472,770 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$369,860, investments of \$46,061, and accounts receivable of \$56,849. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the date of the statement of financial position.

The Organization maintains financial assets on hand to meet normal operating expenses based upon its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year revenue and support.

5. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 — Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the assets or liabilities; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term for the asset or liability.

- Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used at December 31, 2019.

- **Common Stocks:** Valued at the closing price in the active market in which the stock is traded.
- **Exchange Traded Fund:** Valued at the closing price as reported by the active market in which the fund is traded. The exchange traded fund held by the Organization is an index fund that is registered with the SEC. The fund's net asset value (NAV) represents the value of each share's portion of the fund's underlying assets and cash at the end of the trading day.

NUTLEY FAMILY SERVICE BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

5. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth the Organization's investment assets at fair value by level within the fair value hierarchy as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 44,745	\$ -	\$ -	\$ 44,745
Exchange traded fund	1,316	-	-	1,316
Total	<u>\$ 46,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,061</u>

6. LINE OF CREDIT

The Organization has a \$125,000 line of credit agreement with Spencer Savings Bank, subject to annual review and renewal. Outstanding advances bear interest at the greater of 4% per annum or the bank's prime lending rate plus .75% and are secured by the Organization's land and building. There were no outstanding borrowings at December 31, 2019.

7. REAL ESTATE TAXES

Nutley Family Service Bureau, Inc. is exempt from paying real estate taxes. This exemption will continue until the Organization either vacates or sells its buildings. The Organization sold one of its buildings in 2019, the other building remains tax-exempt.

8. RETIREMENT PLAN

The Organization maintains a simplified employee pension (the "Plan"). Both employee and employer contributions are immediately vested. During the year 2019, employer contributions to the Plan were \$14,023.

9. CONCENTRATION OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization places its cash and temporary cash investments with high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit.

The Organization has investments in both common stocks and an exchange traded fund, which are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with these investments, it is possible that changes in the values of investments will occur in the near term and have a material effect on the amounts reported in the statement of financial position.

Due to certain concentrations of donors, the organization relies upon specific grants for support. Obtaining replacement funding, if necessary, would be difficult.

NUTLEY FAMILY SERVICE BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

10. SUBSEQUENT EVENTS

During January 2020, the World Health Organization declared the outbreak of a novel coronavirus (“Covid-19”) as a public health emergency of international concern, which continues to spread throughout the world, including the United States and the geographic area where the Organization operates. The Covid-19 outbreak and government responses are creating disruptions in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic conditions and trigger a period of global economic slowdown. At this early stage, the financial statements do not include any adjustments to reflect the potential impact from the Covid-19 outbreak, given the dynamic nature of the situation.

The Organization has evaluated subsequent events through October 16, 2020 the date which the financial statements were available to be issued.