

**INVEST NEWARK, A NEW JERSEY NONPROFIT CORPORATION  
(Formerly Newark Community Economic Development Corporation)**

**Financial Statements  
For the Year Ended December 31, 2023  
(With Summarized Financial Information for 2022)  
With Independent Auditor's Report**



**MITCHELL TITUS**  
ACHIEVING EXCELLENCE TOGETHER

**INVEST NEWARK, A NEW JERSEY NONPROFIT CORPORATION**  
**(Formerly Newark Community Economic Development Corporation)**  
Financial Statements  
For the Year Ended December 31, 2023  
(With Summarized Financial Information for 2022)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Invest Newark, A New Jersey Nonprofit Corporation  
(Formerly Newark Community Economic Development Corporation)

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Invest Newark, A New Jersey Nonprofit Corporation (Invest Newark), which comprise the statement of financial position as of December 31, 2023, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Invest Newark as of December 31, 2023, 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Invest Newark and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Change in Accounting Principle***

As discussed in Note 2, Invest Newark has changed its accounting policy related to the presentation of cash and cash equivalents held in trust for others. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Invest Newark's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Invest Newark's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Invest Newark's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



***Other Matters***

*Report on Summarized Comparative Information*

We have previously audited Invest Newark's 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Mitchell Titus, LLP*

July 12, 2024

**INVEST NEWARK, A NEW JERSEY NONPROFIT CORPORATION**  
**(Formerly Newark Community Economic Development Corporation)**  
Statements of Financial Position  
As of December 31, 2023 and 2022

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>                                 |                      |                      |
| Cash and cash equivalents                     | \$ 5,319,327         | \$ 6,702,734         |
| Cash restricted for loans                     | 357,285              | 322,518              |
| Cash restricted for Land Bank program         | 3,069,012            | 1,779,854            |
| Funds held in trust                           | 792,657              | 142,174              |
| UEZ funds held in trust                       | 1,352,988            | 3,853,340            |
| Funds held in trust - HUD funds               | <u>64,422</u>        | <u>64,313</u>        |
| Total cash and cash equivalents               | <u>10,955,691</u>    | <u>12,864,933</u>    |
| Loans receivable, net of allowance            | 3,627,374            | 958,326              |
| Other receivable                              | 526,111              | 670,111              |
| Prepaid expenses and other current assets     | 2,278,022            | 952,573              |
| Property and equipment, net                   | <u>12,564,968</u>    | <u>4,802,192</u>     |
| <b>Total assets</b>                           | <u>\$ 29,952,166</u> | <u>\$ 20,248,135</u> |
| <b>LIABILITIES AND NET ASSETS</b>             |                      |                      |
| Accounts payable and accrued expenses         | \$ 330,824           | \$ 491,525           |
| Other program payables                        | 170,333              | 79,108               |
| Estimated liability for litigation loss       | 1,025,000            | -                    |
| Liability for funds held in trust             | 58,798               | 128,456              |
| Liability for UEZ funds held in trust         | 4,939,709            | 4,939,709            |
| Liability for funds held in trust - HUD funds | <u>64,315</u>        | <u>64,313</u>        |
| Total liabilities                             | <u>6,588,979</u>     | <u>5,703,111</u>     |
| <i>Net assets</i>                             |                      |                      |
| With donor restrictions                       | 1,343,443            | 845,889              |
| Without donor restrictions                    | <u>22,019,744</u>    | <u>13,699,135</u>    |
| Total net assets                              | <u>23,363,187</u>    | <u>14,545,024</u>    |
| <b>Total liabilities and net assets</b>       | <u>\$ 29,952,166</u> | <u>\$ 20,248,135</u> |

The accompanying notes are an integral part of these financial statements.

**INVEST NEWARK, A NEW JERSEY NONPROFIT CORPORATION**  
**(Formerly Newark Community Economic Development Corporation)**  
Statement of Activities  
For the Year Ended December 31, 2023  
(With Summarized Financial Information for 2022)

|   | <b>2023</b>                               |  |                      | <b>2022</b>          |
|---|---|--|----------------------|----------------------|
|   | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>Total</b>         | <b>Total</b>         |
| <b>SUPPORT AND REVENUE</b>              |   |  |                      |                      |
| City of Newark - fees                   | \$ 5,000,000                              | \$ -                                   | \$ 5,000,000         | \$ 5,000,000         |
| Interest income                         | 363,561                                   | -                                      | 363,561              | 84,150               |
| Loan interest                           | 108,453                                   | -                                      | 108,453              | 67,212               |
| Public contributions                    | 18,250                                    | -                                      | 18,250               | 3,613                |
| In-kind donations                       | 7,352,400                                 | -                                      | 7,352,400            | -                    |
| Newark fiber                            | 157,934                                   | -                                      | 157,934              | 136,645              |
| Grant income                            | 1,573,248                                 | 1,343,443                              | 2,916,691            | 1,013,154            |
| Other income                            | 765,358                                   | -                                      | 765,358              | 426,860              |
| Net realized loss on sale of Land       |   |  |                      |                      |
| Bank properties                         | (225,451)                                 | -                                      | (225,451)            | (33,434)             |
| Net assets released from restrictions   | 845,889                                   | (845,889)                              | -                    | -                    |
| Total support and revenue               | <u>15,959,642</u>                         | <u>497,554</u>                         | <u>16,457,196</u>    | <u>6,698,200</u>     |
| <b>EXPENSES</b>                         |   |  |                      |                      |
| Program services                        | 4,497,698                                 | -                                      | 4,497,698            | 1,543,324            |
| Total program services                  | <u>4,497,698</u>                          | <u>-</u>                               | <u>4,497,698</u>     | <u>1,543,324</u>     |
| <i>Supporting services</i>              |   |  |                      |                      |
| General and administration              | 2,116,335                                 | -                                      | 2,116,335            | 2,499,242            |
| Total supporting services               | <u>2,116,335</u>                          | <u>-</u>                               | <u>2,116,335</u>     | <u>2,499,242</u>     |
| Total expenses                          | <u>6,614,033</u>                          | <u>-</u>                               | <u>6,614,033</u>     | <u>4,042,566</u>     |
| Change in net assets from operations    | 9,345,609                                 | 497,554                                | 9,843,163            | 2,655,634            |
| <b>NONOPERATING ACTIVITIES</b>          |   |  |                      |                      |
| Provision for estimated litigation loss | (1,025,000)                               | -                                      | (1,025,000)          | -                    |
| Change in net assets                    | 8,320,609                                 | 497,554                                | 8,818,163            | 2,655,634            |
| Net assets, beginning of year           | 13,699,135                                | 845,889                                | 14,545,024           | 11,889,390           |
| <b>Net assets, end of year</b>          | <u>\$ 22,019,744</u>                      | <u>\$ 1,343,443</u>                    | <u>\$ 23,363,187</u> | <u>\$ 14,545,024</u> |

The accompanying notes are an integral part of these financial statements.

**INVEST NEWARK, A NEW JERSEY NONPROFIT CORPORATION**  
**(Formerly Newark Community Economic Development Corporation)**  
Statement of Functional Expenses  
For the Year Ended December 31, 2023  
(With Summarized Financial Information For 2022)

|  | Programs                            |                         |                         |                     |                     | Program Total       | Management and General | Total 2023          | Total 2022          |
|--|-------------------------------------|-------------------------|-------------------------|---------------------|---------------------|---------------------|------------------------|---------------------|---------------------|
|  | Small Minority Business Development | Investments and Lending | Real Estate Development | Other Programs      | Land Bank           |                     |                        |                     |                     |
| <b>EXPENSES</b>                        |                                     |                         |                         |                     |                     |                     |                        |                     |                     |
| <i>Personnel expenses</i>              |                                     |                         |                         |                     |                     |                     |                        |                     |                     |
| Salaries and wages                     | \$ 391,258                          | \$ 179,375              | \$ 344,406              | \$ 3,461            | \$ 125,365          | \$ 1,043,865        | \$ 1,062,830           | \$ 2,106,695        | \$ 1,482,079        |
| Payroll taxes                          | 19,731                              | 6,669                   | 14,630                  | -                   | 4,947               | 45,977              | 45,482                 | 91,459              | 147,428             |
| Fringe benefits                        | 85,683                              | 39,983                  | 68,258                  | 2,000               | 44,440              | 240,364             | 356,941                | 597,305             | 327,028             |
| Total personnel expense                | 496,672                             | 226,027                 | 427,294                 | 5,461               | 174,752             | 1,330,206           | 1,465,253              | 2,795,459           | 1,956,535           |
| <i>Other than personnel expenses</i>   |                                     |                         |                         |                     |                     |                     |                        |                     |                     |
| Marketing - small business             | 28,167                              | -                       | -                       | -                   | -                   | 28,167              | -                      | 28,167              | -                   |
| Marketing - branding and advertising   | 49,228                              | -                       | 5,976                   | 12,957              | 66,938              | 135,099             | 10,210                 | 145,309             | 176,917             |
| Contract services                      | 43,644                              | -                       | 59,075                  | 1,535               | 42,806              | 147,060             | 100,286                | 247,346             | 430,870             |
| Legal fees                             | -                                   | 5,351                   | 5,400                   | -                   | 17,651              | 28,402              | 20,117                 | 48,519              | 134,247             |
| Depreciation and amortization          | -                                   | -                       | -                       | 72,330              | -                   | 72,330              | 30,707                 | 103,037             | 54,229              |
| Office expense                         | 1,837                               | -                       | 650                     | 17                  | 607                 | 3,111               | 37,657                 | 40,768              | 58,262              |
| Dues and subscriptions                 | 20,175                              | -                       | -                       | -                   | -                   | 20,175              | 15,150                 | 35,325              | 71,770              |
| Telecommunications                     | -                                   | -                       | -                       | 4,750               | -                   | 4,750               | 24,733                 | 29,483              | 18,606              |
| Travel, meals and entertainment        | 10,164                              | 738                     | 4,572                   | 1,438               | 2,351               | 19,263              | 34,273                 | 53,536              | 23,435              |
| Servicing fee                          | -                                   | 1,047                   | -                       | -                   | -                   | 1,047               | 2,136                  | 3,183               | 6,281               |
| Bank service charges                   | -                                   | -                       | -                       | 3,823               | 64                  | 3,887               | 6,609                  | 10,496              | 46,863              |
| Occupancy                              | -                                   | -                       | -                       | -                   | 6,320               | 6,320               | 108,563                | 114,883             | 115,276             |
| Insurance                              | -                                   | -                       | -                       | -                   | 125,030             | 125,030             | 54,394                 | 179,424             | 67,552              |
| Bad dept expenses (recoveries)         | -                                   | -                       | -                       | -                   | -                   | -                   | (74,089)               | (74,089)            | (105,852)           |
| Accounting fees                        | -                                   | -                       | -                       | -                   | -                   | -                   | 50,468                 | 50,468              | -                   |
| Miscellaneous expenses                 | 1,397                               | 8,998                   | 39,489                  | 3,560               | 284,521             | 337,965             | 2,789                  | 340,754             | 15,442              |
| Training and conferences               | 5,310                               | -                       | 1,714                   | 1,347,939           | -                   | 1,354,963           | 21,853                 | 1,376,816           | 165,102             |
| Sponsorships, grants and contributions | 175,538                             | 10,758                  | 834                     | 59,217              | 258                 | 246,605             | 11,144                 | 257,749             | 66,700              |
| Community investments                  | -                                   | -                       | -                       | -                   | -                   | -                   | -                      | -                   | 376,073             |
| Repairs and maintenance                | -                                   | -                       | -                       | 1,920               | 527,162             | 529,082             | 67,319                 | 596,401             | 180,254             |
| Remediation and demolition             | -                                   | -                       | -                       | -                   | 10,939              | 10,939              | -                      | 10,939              | 58,860              |
| Information technology services        | 3,293                               | 169                     | 169                     | 34,316              | 55,350              | 93,297              | 126,763                | 220,060             | 125,144             |
| Total other than personnel expenses    | 338,753                             | 27,061                  | 117,879                 | 1,543,802           | 1,139,997           | 3,167,492           | 651,082                | 3,818,574           | 2,086,031           |
| <b>Total expenses</b>                  | <b>\$ 835,425</b>                   | <b>\$ 253,088</b>       | <b>\$ 545,173</b>       | <b>\$ 1,549,263</b> | <b>\$ 1,314,749</b> | <b>\$ 4,497,698</b> | <b>\$ 2,116,335</b>    | <b>\$ 6,614,033</b> | <b>\$ 4,042,566</b> |

The accompanying notes are an integral part of these financial statements.



**INVEST NEWARK, A NEW JERSEY NONPROFIT CORPORATION**  
**(Formerly Newark Community Economic Development Corporation)**

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                      |                      |
| Change in net assets  | \$ 8,818,163         | \$ 2,655,634         |
| <i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities</i> |                      |                      |
| Depreciation and amortization   | 103,037              | 54,229               |
| Bad debt expenses (recoveries)  | (74,089)             | (105,852)            |
| In-kind contributions - Land Bank   | (7,352,400)          | -                    |
| Net realized loss on sale of Land Bank properties   | 225,451              | 33,434               |
| <i>Changes in operating assets and liabilities</i>  |                      |                      |
| Prepaid expenses  | (1,325,449)          | (935,641)            |
| Accounts payable and accrued expenses   | (160,701)            | 360,925              |
| Other program payables  | 91,225               | (6,749)              |
| Estimated liability for litigation loss   | 1,025,000            | -                    |
| Funds held in trust   | 74,344               | (3,222,645)          |
| Net cash provided by (used in) operating activities   | <u>1,424,581</u>     | <u>(1,166,665)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                      |                      |
| Advances on loans receivable  | (2,706,481)          | (64,631)             |
| Proceeds from repayment of loans receivable   | 111,522              | 377,268              |
| Acquisition of fixed assets   | (289,976)            | (90,262)             |
| Improvements to Land Bank properties  | (1,294,801)          | (893,131)            |
| Proceeds from sale of Land Bank properties  | 845,913              | 1,167,750            |
| Net cash (used in) provided by investing activities   | <u>(3,333,823)</u>   | <u>496,994</u>       |
| Net change in cash and cash equivalents   | (1,909,242)          | (669,671)            |
| Cash and cash equivalents, beginning of year  | <u>12,864,933</u>    | <u>13,534,604</u>    |
| <b>Cash and cash equivalents, end of year</b>   | <u>\$ 10,955,691</u> | <u>\$ 12,864,933</u> |

The accompanying notes are an integral part of these financial statements.

**INVEST NEWARK, A NEW JERSEY NONPROFIT CORPORATION  
(Formerly Newark Community Economic Development Corporation)**

Notes to the Financial Statements

For the Year Ended December 31, 2023

**NOTE 1      NATURE OF ORGANIZATION**

Brick City Development Corporation (BCDC) was organized in 2007 to retain, attract, and grow businesses; enhance small and minority business capacity; and attract real estate development within the City of Newark. Effective January 1, 2015, BCDC changed its name to Newark Community Economic Development Corporation (NCEDC), which was later changed in October 2019 to Invest Newark, A New Jersey Nonprofit Corporation (Invest Newark or the Agency). The Agency executed economic development activities to produce and sustain economic growth, generate jobs, and create wealth for the residents of Newark.

In 2023, the programs included the following, among others:

Business Attraction and Retention

The Agency worked with companies interested in expanding or relocating their business operations in Newark, providing needed information about Newark and its market, workforce, facilities, economic indicators and other data that could be relevant to business relocation decisions. Additionally, the Agency served as the administrator for the City of Newark's Urban Enterprise Zone (UEZ) program.

Real Estate

The Agency helped both developers and businesses access Newark's vast development opportunities by assisting with a wide range of services including site selection, permitting, approvals, and financing. Additionally, the Agency managed real estate projects on behalf of the city, such as the Newark Riverfront Park project.

Land Bank

In July 2019, the State of New Jersey passed an act (P.L.2019, c.159 (C.40A:12A-74 et seq.) known as the "New Jersey Land Bank Law." In the month of April 2020, the City Council of the City of Newark passed ordinance 18:15:1 – Establishment of Land Bank. As a result of the passage of these two pieces of legislation, the City of Newark and Invest Newark entered into a Land Bank Agreement, which designated Invest Newark as the land bank entity. Invest Newark operates the Newark Land Bank that will strategically acquire, maintain, and repurpose vacant, abandoned, and foreclosed properties, and efficiently return them to productive use in order to boost homeownership; reduce blight; increase M/WBE developer or subcontractor capacity; increase property values and improve the quality of life for Newark residents.

**INVEST NEWARK, A NEW JERSEY NONPROFIT CORPORATION**  
**(Formerly Newark Community Economic Development Corporation)**  
Notes to the Financial Statements  
For the Year Ended December 31, 2023

**NOTE 1      NATURE OF ORGANIZATION** *(continued)*

Small and Minority Business Development

The Agency provided small business loans through its First Movers Fund (First Movers) and continued to manage previous loan funds from former Agency BCDC/NOUEZ loan fund. The Agency also assisted construction industry firms through the provision of working capital loans, bonding, and other technical assistance.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting and Presentation

The Agency's financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

The Agency reports information regarding its financial position and activities according to two net asset classes that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

*Net Assets Without Donor Restrictions* are that portion of net assets that has no use or time restrictions. The bylaws of Invest Newark include a variance provision giving the Board of Directors (the Board) the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, Invest Newark classifies contributions, except as noted below, as without donor restrictions for financial statement presentation.

*Net Assets With Donor Restrictions* are that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Invest Newark periodically receives grants from local agencies and other corporations for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as with donor restrictions until the purpose restrictions are met or the stipulated time restrictions expire. When the purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period in which they are received, such amounts are reported within net assets without donor restrictions.

**INVEST NEWARK, A NEW JERSEY NONPROFIT CORPORATION**  
**(Formerly Newark Community Economic Development Corporation)**

Notes to the Financial Statements

For the Year Ended December 31, 2023

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, to disclose contingent assets and liabilities at the date of the financial statements and to report revenue and expenses during the reporting period. Accordingly, actual results may differ from those estimates.

Revenue Recognition

Revenue is recognized in the period programs and program-related services are provided and consist primarily of funding provided by the City of Newark and partnerships with certain programs.

Invest Newark records grant revenue over the period of the award and the provisions of the grant determine the timing of revenue recognition. Certain grants are received when eligible costs to be reimbursed are incurred and claimed in accordance with grantors' requirements or when performance requirements stipulated in the grants and contracts are achieved and the related amounts are claimed by the Agency.

Contributions, including unconditional promises to give cash and other assets, are reported at fair value at the date the contributions are received. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

In-Kind Contributions and Donated Services

Contributions of donated non-cash assets are recorded at their fair values in the period received.

In the event Invest Newark receives donated services from an individual or organization that would normally receive a fee for services rendered, the donated services are reflected in the financial statements at their fair market value.

Cash and Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, cash includes highly liquid debt instruments with maturities of three months or less at the time of purchase. Cash includes cash, restricted cash and cash held in trust for others.

**INVEST NEWARK, A NEW JERSEY NONPROFIT CORPORATION**  
**(Formerly Newark Community Economic Development Corporation)**

Notes to the Financial Statements

For the Year Ended December 31, 2023

**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Property and Equipment

Property and equipment are stated at cost. Invest Newark capitalizes property and equipment if its value is greater than \$1,500 and its useful life is more than three years. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to eight years.

Costs related to repairs and maintenance are expensed as incurred.

Land Bank Property

Properties contributed to the Agency as part of the Land Bank program are recorded at their fair values at the date of contribution, as estimated based on assessments and/or appraisals. Improvements to the properties are capitalized as incurred. Management assesses whether there are any indications of impairment for these properties and any impairment losses are recorded when identified. The Agency records realized gains or losses when the properties are sold or otherwise disposed of.

Loans Receivable and Allowance for Loan Losses

Loans receivable are stated at their principal amount outstanding, net of an allowance for loan losses. Past due balances are reviewed individually for collectability. Direct origination costs, if significant, would be deferred and amortized using the effective interest method over the respective lives of the related loans and recorded as an adjustment to interest income. Direct origination costs were not deemed to be significant for the years ended December 31, 2023 and 2022.

Loans receivable bear interest at rates ranging from 4.0% to 8.0%. Loans are made to qualified small businesses and local developments, primarily utilizing funds provided by the City of Newark. The loans are generally collateralized by the borrower's real estate, which may have senior claims on it, project income and/or personal guarantees.

Management considers a loan to be delinquent or past due if a borrower fails to make a contractually scheduled interest or principal payment. On a periodic basis, Invest Newark evaluates loan receivable balances and establishes an allowance for loan losses, based on history of write-offs, age of the receivables, collections, and current economic considerations. This evaluation estimates losses expected to occur over the remaining term of each loan. Loans receivable are written off against the allowance for loan losses when all reasonable collection efforts have been exhausted. Invest Newark may also restructure delinquent loans to as an alternative to collection and litigation.

**INVEST NEWARK, A NEW JERSEY NONPROFIT CORPORATION**  
**(Formerly Newark Community Economic Development Corporation)**  
Notes to the Financial Statements  
For the Year Ended December 31, 2023

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Loans Receivable and Allowance for Loan Losses *(continued)*

The accrual of interest on outstanding loans is discontinued at the time the loan is considered delinquent or past due. All interest accrued but not collected would be reversed against interest income. At December 31, 2023 and 2022, no loans were on non-accrual status.

A loan would be considered impaired when, based on current information and events, it is probable that the Agency would be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Management evaluates for impairment on an individual loan basis. Invest Newark may also restructure delinquent loans as an alternative to collection and litigation.

Funds Held in Trust

Funds held in trust consist of undisbursed funds under pass-through agreements with the City of Newark and other funds that Invest Newark receives and holds on behalf of certain organizations for their activities in Newark. Disbursements are made based on requisitions and approvals.

Tax Status and Accounting for Uncertainty in Income Taxes

Invest Newark qualifies as a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from Federal income taxes on related income pursuant to Section 101(a) of the Code and is also exempt from state and local income taxes. Invest Newark recognizes the effect of income tax positions only if those positions are more-likely-than-not to be sustained. Management has determined that Invest Newark had no uncertain tax positions that would require financial statement recognition or disclosure.

Functional Allocation of Expenses

The majority of expenses can generally be directly identified with the program or supporting service to which they relate, and are charged accordingly. Other expenses, such as salaries, payroll taxes and benefits and occupancy costs have been allocated among program and supporting service classifications on the basis of employee time and effort and other considerations.

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Notes to the Financial Statements

For the Year Ended December 31, 2023

**NOTE 2**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Concentrations of Credit Risk

Financial instruments that potentially subject Invest Newark to concentrations of credit risk consist principally of contributions, unconditional promises to give, and grants receivable. Invest Newark places its cash with high credit quality financial institutions. At times, such amounts exceed the current insured amount under the Federal Deposit Insurance Corporation. Management monitors the financial condition of the banking institutions, along with their cash balances, to minimize this risk.

Invest Newark loans money under various programs and the collectability of loans is exposed to various risks such as interest rate, market, credit risks and debtor's ability to pay. Due to the level of risk associated with the collectability of loans receivable, it is at least reasonably possible that changes in the values will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Change in Accounting Policy – Funds Held in Trust for Others Presentation

Invest Newark has elected a change in accounting policy to present cash and cash equivalents held in trust for others within cash and cash equivalents. Funds held in trust for others have been reclassified to cash and cash equivalents in the accompanying statement of financial position as of December 31, 2022 to conform to the December 31, 2023 presentation. The presentation of the accompanying statement of cash flows for the year ended December 31, 2022 was also modified to conform to this current year presentation.

New Accounting Pronouncement Adopted

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. Invest Newark adopted this ASU during the year ended December 31, 2023.

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Notes to the Financial Statements

For the Year Ended December 31, 2023

**NOTE 3 RESTRICTED CASH**

Restricted cash consists of unexpended funds for the following programs, which are maintained in checking accounts at December 31, 2023 and 2022:

|                               | <u>2023</u>                | <u>2022</u>                |
|-------------------------------|----------------------------|----------------------------|
| First Movers Fund             | \$ 357,285                 | \$ 322,518                 |
| Land Bank Program             | 3,069,012                  | 1,779,854                  |
| Funds held in trust           | <u>2,210,067</u>           | <u>4,059,827</u>           |
| <b>Balance at December 31</b> | <b><u>\$ 5,636,364</u></b> | <b><u>\$ 6,162,199</u></b> |

The First Movers Fund is used to finance small business loans and the Construction Bond Loan Fund is used to finance specific programs under the funding agreement. The fund for the Land Bank program consists of unexpended proceeds from the sale of Land Bank properties to be used to fund Land Bank program activities. Interest earned on these funds may be used by management for general purposes and is treated as revenue. Funds held in trust are described in further detail in Note 8.

**NOTE 4 LOANS RECEIVABLE**

At December 31, 2023 and 2022, loans receivable, net of allowance for doubtful accounts, were as follows:

|                                       | <u>2023</u>                | <u>2022</u>              |
|---------------------------------------|----------------------------|--------------------------|
| Loans receivable                      | \$ 3,652,661               | \$ 1,057,702             |
| Less: Allowance for doubtful accounts | <u>(25,287)</u>            | <u>(99,376)</u>          |
| <b>Balance at December 31</b>         | <b><u>\$ 3,627,374</u></b> | <b><u>\$ 958,326</u></b> |
|                                       | <u>2023</u>                | <u>2022</u>              |
| Short-term portion                    | \$ 428,565                 | \$ 136,668               |
| Long-term portion                     | <u>3,198,809</u>           | <u>821,658</u>           |
| <b>Balance at December 31</b>         | <b><u>\$ 3,627,374</u></b> | <b><u>\$ 958,326</u></b> |



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For the Year Ended December 31, 2023

**NOTE 4      LOAN RECEIVABLE** *(continued)*

The following represents a reconciliation of activity of Invest Newark's loans receivable for the years ended December 31, 2023 and 2022.

|   | <u>2023</u>                | <u>2022</u>              |
|---|----------------------------|--------------------------|
| Beginning balance   | \$ 1,057,702               | \$ 2,302,622             |
| New loans granted   | 2,706,481                  | 64,633                   |
| Subtotal  | <u>3,764,183</u>           | <u>2,367,255</u>         |
| Less: Conversions of loans receivable to other receivable and equipment | -                          | (775,251)                |
| Less: Payments received and write offs                                  | <u>(111,522)</u>           | <u>(534,302)</u>         |
| Ending balance  | 3,652,661                  | 1,057,702                |
| Balance at December 31  |                            |                          |
| Less: Allowance for doubtful accounts                                   | <u>(25,287)</u>            | <u>(99,376)</u>          |
| <b>Net balance at December 31</b>                                       | <u><b>\$ 3,627,374</b></u> | <u><b>\$ 958,326</b></u> |

Invest Newark entered into an agreement terminating a loan agreement. The agreement provides for Invest Newark to receive payments fully satisfying a former loan principal balance through August 31, 2027. The balance of \$670,111 as of December 31, 2022 was reclassified from loans receivable, net of allowance, to other receivable in the accompanying statement of financial position. In addition, Invest Newark agreed to forgive an outstanding loan balance of \$105,140 in consideration for receiving equipment for a program. This outstanding loan balance has been reclassified to furniture, property and other equipment, net, the accompanying statement of financial position at December 31, 2022.

The following represents a reconciliation of the activity of allowance for doubtful accounts for the years ended December 31:

|   | <u>2023</u>             | <u>2022</u>             |
|---|-------------------------|-------------------------|
| Beginning balance                                 | \$ 99,376               | \$ 221,275              |
| Less: Write offs                                  | -                       | (16,047)                |
| Adjustments associated with funds held for others | -                       | -                       |
| Bad debt expense (recovery)                       | <u>(74,089)</u>         | <u>(105,852)</u>        |
| <b>Balance at December 31</b>                     | <u><b>\$ 25,287</b></u> | <u><b>\$ 99,376</b></u> |

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**NOTE 5 LIQUIDITY AND AVAILABLE FUNDS**

The following table reflects Invest Newark's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not easily convertible to cash within one year, trust assets held for others, endowments and accumulated earnings net of appropriations within one year and board designated endowments. Board designations could be drawn upon if the board approves that action. Financial assets available to meet cash needs for general expenditures within one year as of December 31, 2023 and 2022:

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| <i>Financial assets</i>   |                     |                     |
| Cash and cash equivalents   | \$ 5,319,327        | \$ 6,702,734        |
| Loans receivable - current portion  | <u>428,565</u>      | <u>136,668</u>      |
| <b>Financial assets available to meet cash needs for general expenditures within one year, at December 31</b> | <u>\$ 5,747,892</u> | <u>\$ 6,839,402</u> |

Invest Newark has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2023 and 2022, Invest Newark had no revolving bank line of credit. No funds were borrowed during the fiscal year ended December 31, 2023.

**NOTE 6 FURNITURE, EQUIPMENT AND OTHER PROPERTY, NET**

Furniture, equipment and other property, net consisted of the following at December 31, 2023 and 2022:

|                                    | <u>2023</u>          | <u>2022</u>         |
|------------------------------------|----------------------|---------------------|
| Furniture, equipment and other     | \$ 791,605           | \$ 586,724          |
| Leasehold improvements             | 267,702              | 202,086             |
| Land and land improvements         | <u>12,233,000</u>    | <u>4,644,934</u>    |
| Subtotal                           | 13,292,307           | 5,433,744           |
| Less: Accumulated depreciation     | <u>(727,339)</u>     | <u>(631,552)</u>    |
| <b>Property and equipment, net</b> | <u>\$ 12,564,968</u> | <u>\$ 4,802,192</u> |

Leasehold improvements represent the infrastructure, construction and indirect costs incurred in renovating the office space. These costs are systematically depreciated over the term of the lease. The furniture and equipment represent assets used in the administrative office. These assets are being depreciated over their estimated economic useful lives ranging from three to eight years.

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**NOTE 7 LAND BANK PROGRAM**

At December 31, 2023, land and improvements associated with the Land Bank program are as follows:

|  | <u>2023</u>                 | <u>2022</u>                |
|--|-----------------------------|----------------------------|
| Land   | \$ 4,391,000                | \$ 1,797,500               |
| Improvements                                     | 5,910,300                   | 1,589,500                  |
| Construction in progress                         | <u>1,931,700</u>            | <u>1,257,934</u>           |
| <b>Land and improvements (Land Bank Program)</b> | <b><u>\$ 12,233,000</u></b> | <b><u>\$ 4,644,934</u></b> |

The Agency took title to vacant, abandoned and foreclosed properties with a fair value of approximately \$7,352,400 during the year ended December 31, 2023. The contribution of these properties to the Agency is reported as in-kind contributions – Land Bank in the accompanying statement of activities. The Agency is making improvements to these properties to return them to productive use as discussed further in Note 1. The Agency sold properties and improvements and realized losses on those sales as follows:

|   | <u>2023</u>                | <u>2022</u>               |
|---|----------------------------|---------------------------|
| Sales proceeds  | \$ 845,913                 | \$ 1,167,750              |
| Sales proceeds applied against an outstanding loan receivable | -                          | (175,585)                 |
| Property basis, including improvements                        | <u>(1,071,364)</u>         | <u>(1,025,599)</u>        |
| <b>Net realized loss on sale of properties</b>                | <b><u>\$ (225,451)</u></b> | <b><u>\$ (33,434)</u></b> |

**NOTE 8 FUNDS HELD IN TRUST**

Invest Newark's responsibilities under the agreements consists principally of among other things, serving as administrator of the City of Newark's UEZ program approved by the Newark Office of the Urban Enterprise Zone, maintaining custody of program loan funds advanced by the City of Newark for projects, disbursing the loan funds based on requisitions for payment of project expenditures, and complying with certain reporting requirements. Based on restrictions placed on Invest Newark on the disposition of project funds, the Agency treats these activities as agency transactions. Accordingly, funds received from the City of Newark for specific programs are recorded as an asset with a corresponding liability. Loan disbursements or payments that are made to the project borrowers based on approved fund requisitions are recorded as reductions of such funds held in trust. Total funds held in trust as of December 31, 2023 and 2022 are as follows and are reflected with assets in the accompanying statement of financial position:

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**NOTE 8 FUNDS HELD IN TRUST** *(continued)*

|  | <u>2023</u>                | <u>2022</u>                |
|--|----------------------------|----------------------------|
| Horizon Settlement (Riverfront Park Project) | \$ -                       | \$ 21,466                  |
| Newark Fiber ARPA Funds                      | 5,771                      | (457,875)                  |
| 505 Clinton Construction Fund                | -                          | 401,466                    |
| Nourishing Newark Food Desert Grant Program  | -                          | (11,329)                   |
| Summer Initiative Grant Program              | -                          | (102,997)                  |
| Foundation Grants & Contributions            | -                          | 199,466                    |
| Newark Street Academy - NSA                  | -                          | 91,977                     |
| UEZ Funds                                    | 1,352,988                  | 3,853,340                  |
| Section 108 Funds Held in Trust HUD          | 64,422                     | 64,313                     |
| Other  | 786,886                    | -                          |
| <b>Balance at December 31</b>                | <b><u>\$ 2,210,067</u></b> | <b><u>\$ 4,059,827</u></b> |

During 2022, the Agency made loans to entities using funds held in trust, which are reflected in loans receivable, net of allowance in the accompanying statement of financial position. The Agency serves as the agent in making and administering these loans receivable on behalf of others. The amount of loans receivable outstanding as of December 31, 2023 and 2022 financed with funds held in trust is \$3,586,721 and \$1,086,369, respectively. The total liabilities for funds held in trust for others as of December 31, 2023 and 2022 were \$5,062,822 and \$5,132,478, respectively.

**NOTE 9 OTHER PROGRAM PAYABLES**

Invest Newark has responsibilities as a fiduciary agent to various programs, which had residual balances relating to the organizations listed below as of December 31, 2023 and 2022:

|                                  | <u>2023</u>              | <u>2022</u>             |
|----------------------------------|--------------------------|-------------------------|
| Land Bank                        | \$ 137,000               | \$ -                    |
| USDA Farmer's Protection Program | -                        | 30,468                  |
| 1772 Urban Foundation            | -                        | 12,487                  |
| Greater Newark Conservancy       | -                        | 36,147                  |
| AFLAC/Other                      | 33,333                   | 6                       |
|                                  | <b><u>\$ 170,333</u></b> | <b><u>\$ 79,108</u></b> |

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**NOTE 10 BUSINESS RISK**

Invest Newark is largely funded by the City of Newark. This dependency may subject the Agency to business risk should the City of Newark ceases to provide funding to the Agency or eliminate the supplementary programs.

**NOTE 11 RETIREMENT PLAN**

Upon employment, employees are eligible to participate in Invest Newark's 403(b) defined contribution pension plan, whereby participating employees may contribute any amount up to the maximum Internal Revenue Service annual contribution limits. Invest Newark matched 100% the amount contributed by the employees during the year ended December 31, 2023. Contributions of \$247,689 and \$178,547 are reflected in the Agency's expenses for the years ended December 31, 2023 and 2022, respectively.

**NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2023, the Agency has \$1,343,443 of net assets with donor restrictions, which are purpose restricted for:

- \$316,250 – grant to be used for the construction of Section 8 Homeownership conversion properties
- \$380,750 – small business development grant
- \$301,364 – training and educational program grants
- \$41,249 – homelessness program grants
- \$303,830 – other development project program grants

As of December 31, 2022, the Agency had \$845,889 of net assets with donor restrictions, which were purpose restricted for:

- \$50,000 – grant to be used for the construction of Section 8 Homeownership conversion properties
- \$76,500 – small business development grant
- \$469,389 – training and educational program grants
- \$50,000 – homelessness program grants
- \$200,000 – other development project program grants

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For the Year Ended December 31, 2023

**NOTE 12      NET ASSETS WITH DONOR RESTRICTIONS** *(continued)*

These amounts were utilized for donor-restricted purposes and released from restrictions during the year ended December 31, 2023.

**NOTE 13      SUMMARIZED FINANCIAL INFORMATION**

The financial statements include certain prior-year summarized comparative financial information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Invest Newark's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

**NOTE 14      LITIGATION**

Invest Newark is involved in a legal proceeding with a contractor related to a property owned by the City of Newark for which Invest Newark serves as the redeveloper. The matter is in its early stages and Invest Newark has reported an estimated liability for litigation loss of \$1,025,000 in the accompanying statement of financial position as of December 31, 2023. This reflects management's best estimate of a contingent liability that is subject to uncertainty until the legal matter concludes.

**NOTE 15      SUBSEQUENT EVENTS**

Invest Newark has evaluated subsequent events occurring after the balance sheet date through the date of July 12, 2024, which is the date the financial statements were available to be issued. Based on this evaluation, Invest Newark has determined that there were no subsequent events have occurred that require recognition or disclosure in the financial statements, except for Land Bank activity discussed in the next paragraph.

During the period January 1, 2024 through July 12, 2024, Invest Newark has received eight (8) properties from the City with an additional two (2) properties in process that are expected to be received in 2024. The total assessed value of the 10 properties is \$2,606,600. These properties are being classified under a new program heading called "\$1 Properties." The City of Newark has instituted a program, whereby Newark residents can purchase a city-owned property for \$1. The purchaser is responsible for the construction of whatever is to be added to the property – e.g., 1 family home, 2 family home. There is a supportive set of consultants, contractors and lenders to help the purchaser through the process. Invest Newark will hold the designated properties in inventory until such time as the construction is complete and the deeds can be transferred directly to the purchaser, but will not participate in the construction process. Invest Newark will insure, secure and maintain the properties until such time as the construction is complete.

