Financial Statements
For the Year Ended December 31, 2022
(With Summarized Financial Information for 2021)
With Independent Auditor's Report



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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, 2022, 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, 2022, 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.

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.



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

Mitchell: Titus, LLP

We have previously audited Invest Newark's 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

August 23, 2023

Statements of Financial Position As of December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 6,702,734	\$ 5,338,193
Cash restricted for loans	322,518	491,094
Cash restricted for Land Bank program	1,779,854	801,101
Total cash and cash equivalents	8,805,106	6,630,388
Loans receivable, net of allowance	958,326	2,081,347
Other receivable	670,111	-
Prepaid expenses and other current assets	952,573	19,947
Funds held in trust	142,174	2,357,017
UEZ funds held in trust	3,853,340	3,520,432
Funds held in trust - City of Newark Section 108	-	1,021,929
Funds held in trust - HUD funds	64,313	4,838
Property and equipment, net	4,802,192	4,793,487
Total assets	\$ 20,248,135	\$ 20,429,385
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 491,525	\$ 130,600
Other program payables	79,108	85,857
Liability for funds held in trust	128,456	2,357,017
Liability for UEZ funds held in trust	4,939,709	4,939,754
Liability for funds held in trust - City of Newark		
Section 108	-	1,021,929
Liability for funds held in trust - HUD	64,313	4,838
Total liabilities	5,703,111	8,539,995
Net assets		
With donor restrictions	845,889	300,000
Without donor restrictions	13,699,135	11,589,390
Total net assets	14,545,024	11,889,390
Total liabilities and net assets	\$ 20,248,135	\$ 20,429,385

Statement of Activities
For the Year Ended December 31, 2022
(With Summarized Financial Information for 2021)

		2022		
	Without	With		
	Donor	Donor		2021
	Restrictions	s Restrictions	Total	Total
SUPPORT AND REVENUE				
City of Newark - fees	\$ 5,000,00	0 \$ -	\$ 5,000,000	\$ 3,000,000
Contributions - fundraising	-	-	-	12,000
Interest income	84,15	- 0	84,150	2,035
Loan interest	67,21	2 -	67,212	71,865
Public contributions	3,61	3 -	3,613	-
In-kind donations	-	-	-	5,303,200
Newark fiber	136,64	5 -	136,645	96,840
Grant income	167,26	5 845,889	1,013,154	300,000
Land Bank program contributions	-	-	-	2,000,000
Other income	426,86	- 0	426,860	1,307,762
Net realized loss on sale of Land				
Bank properties	(33,43	-	(33,434)	(338,518)
Net assets released from				
restrictions	300,00	0 (300,000)		
Total support and revenue	6,152,31	1 545,889	6,698,200	11,755,184
EVENOCO				
EXPENSES	1 005 00	10	1 005 000	0.070.050
Program services	1,665,22		1,665,223	2,973,958
Total program services	1,665,22	3 -	1,665,223	2,973,958
Supporting services				
General and administration	2,377,34	-3	2,377,343	608,384
Fundraising				
Total supporting services	2,377,34	3	2,377,343	608,384
Total expenses	4,042,56	6	4,042,566	3,582,342
Change in net assets	2,109,74	5 545,889	2,655,634	8,172,842
Net assets, beginning of year	11,589,39	90 300,000	11,889,390	3,716,548
Net assets, end of year	\$ 13,699,13	5 \$ 845,889	14,545,024	\$ 11,889,390

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

(With Summarized Financial Information For 2021)

						Prog	rams											
		all Minority usiness	Inve	stments	Re	al Estate		Other		Land	P	rogram	Ma	nagement		Total		Total
	Dev	elopment	and	Lending	Dev	velopment		Programs		Bank		Total	an	d General		2022		2021
EXPENSES																		
Personnel expenses																		
Salaries and wages	\$	244,354	\$	_	\$	271,450	\$	_	\$	30,242	\$	546,046	\$	936,033	\$	1,482,079	\$	1,586,160
Payroll taxes	Ψ	24,307	Ψ	_	Ψ	27,002	Ψ	-	Ψ	3,008	Ψ	54,317	Ψ	93,111	Ψ	147,428	Ψ	137,914
Fringe benefits		53,918		_		59,897		_		6,673		120,488		206,540		327,028		222,222
· ·													-					
Total personnel expense		322,579			-	358,349		-		39,923		720,851		1,235,684		1,956,535	-	1,946,296
Other than personnel expenses																		
Due diligence		-		-		-		-		-		-		-		-		38,558
Marketing - small business		-		-		-		-		-		-		-		-		166,378
Marketing - branding and advertising		94,724		-		-		-		54,573		149,297		27,620		176,917		70,267
Real estate		-		-		-		-		-		-		-		-		17,192
Contract services		37,801		-		77,029		3,540		9,916		128,286		302,584		430,870		29,167
Teledata consulting		-		-				-		-		-		-		=		24,960
Legal fees		270		12,242		4,689		-		54,425		71,626		62,621		134,247		257,391
Depreciation and amortization		-		-		-		37,629		-		37,629		16,600		54,229		9,178
Office expense		1,773		1,586		4,581		-		1,168		9,108		49,154		58,262		130,051
Dues and subscriptions		8,859		-		-		-		6,798		15,657		56,113		71,770		32,809
Telecommunications		· ·		-		-		-		-		-		18,606		18,606		37,200
Travel, meals and entertainment		3,481		-		-		-		888		4,369		19,066		23,435		-
Servicing fee		-		6,281		-		-		-		6,281		-		6,281		-
Bank service charges		-		31,500		-		3,466		-		34,966		11,897		46,863		9,675
Payroll servicing costs		2.773		-		84		-		9,820		12,677		102,599		- 115,276		3,754 33,846
Occupancy		2,773		-		84		-		9,820 13,309		12,677		54,243		67,552		33,846 44,736
Insurance		-		-		-		-										78,456
Bad dept expenses (recoveries) Accounting fees		-		-		-		-		-		-		(105,852)		(105,852)		61,353
Miscellaneous expenses		3.420		-		1,950		110		9,816		15,296		146		15,442		69.726
Training and conferences		93.999		_		1,950		-		23,123		117,122		47,980		165,102		41,049
Sponsorships, grants and contributions		58,050		7,000		_		_		20,120		65,050		377,723		442,773		2,500
Community investments		-		7,000		_		_		_		-		-				51,078
Repairs and maintenance		_		_		1,074		_		117,118		118,192		62,062		180,254		229,536
Remediation and demolition		_		_		27,935		_		30,925		58,860		-		58,860		81,241
Presale/Predevelopment - Land Bank		_		_		,		_		-		-		_		-		45,511
Transaction costs (legal, title and finance)		-		-		-		-		-		-		-		-		5,275
Information technology services						-		37,247		49,400		86,647		38,497		125,144		65,159
Total other than personnel expenses		305,150		58,609		117,342		81,992		381,279		944,372		1,141,659		2,086,031		1,636,046
Total expenses	\$	627,729	\$	58,609	\$	475,691	\$	81,992	\$	421,202	\$	1,665,223	\$	2,377,343	\$	4,042,566	\$	3,582,342

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, 2022 and 2021

	 2022	 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,655,634	\$ 8,172,842
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation and amortization	54,229	9,178
Bad debt expenses (recoveries)	(105,852)	78,456
Recovery of loan receivable previously written off	-	(1,174,111)
Forgiveness of Paycheck Protection Program loan payable	_	(313,000)
In-kind contributions-Land Bank	_	(5,303,200)
Net realized loss on sale of Land Bank properties	33,434	338,518
Changes in operating assets and liabilities	,	,
Prepaid expenses	(935,641)	(18,657)
Accounts payable and accrued expenses	360,925	76,532
Other program payables	(6,749)	(192,931)
Funds held in trust	 (189,303)	 166,065
Net cash provided by operating activities	 1,866,677	 1,839,692
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances on loans receivable	(49,631)	(153,275)
Proceeds from repayment of loans receivable	173,315	736,721
Acquisition of fixed assets	(90,262)	(5,683)
Improvements to Land Bank properties	(893,131)	(974,550)
Proceeds from sale of Land Bank properties	 1,167,750	 1,158,852
Net provided by investing activities	308,041	 762,065
Net change in cash and cash equivalents	2,174,718	2,601,757
Cash and cash equivalents, beginning of year	 6,630,388	4,028,631
Cash and cash equivalents, end of year	\$ 8,805,106	\$ 6,630,388
NON-CASH INVESTING ACTIVITY		
Loans receivable advances and repayments		
associated with funds held for others	\$ 157,368	\$ 1,317,223

Notes to the Financial Statements For the Year Ended December 31, 2022

NOTE 1 NATURE OF ORGANIZATION

Brick City Development Corporation (the 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 the Newark Community Economic Development Corporation (the 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 2022, 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 MWBE developer or subcontractor capacity; increase property values and improve the quality of life for Newark residents.

Notes to the Financial Statements For the Year Ended December 31, 2022

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 restriction 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.

Notes to the Financial Statements For the Year Ended December 31, 2022

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

Revenues are 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 and restricted cash.

Notes to the Financial Statements For the Year Ended December 31, 2022

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 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, 2022 and 2021.

Loans receivable bear interest at rates ranging from 2.5% to 8.0%. Loans are made to qualified small businesses and local developments, utilizing primarily 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. 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.

Notes to the Financial Statements For the Year Ended December 31, 2022

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, 2022 and 2021, no loans were on non-accrual.

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 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.

Notes to the Financial Statements For the Year Ended December 31, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk

Financial instruments which 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.

Recent Accounting Pronouncement Not Yet 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. The ASU is effective for the Agency as of January 1, 2023.

Notes to the Financial Statements For the Year Ended December 31, 2022

NOTE 3 RESTRICTED CASH

Restricted cash consists of unexpended funds for the following programs, which are maintained in checking accounts at December 31, 2022 and 2021:

	 2022	 2021
First Movers Fund Land Bank Program	\$ 322,518 1,779,854	\$ 491,094 801,101
Balance at December 31	\$ 2,102,372	\$ 1,292,195

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.

NOTE 4 LOANS RECEIVABLE

At December 31, 2022 and 2021, loans receivable, net of allowance for doubtful accounts, were as follows:

	 2022	 2021
Loans receivable Less: Allowance for doubtful accounts	\$ 1,057,702 (99,376)	\$ 2,302,622 (221,275)
Balance at December 31,	\$ 958,326	\$ 2,081,347
	 2022	 2021
Short-term portion Long-term portion	\$ 2022 136,668 821,658	\$ 2021 603,899 1,477,448

Notes to the Financial Statements For the Year Ended December 31, 2022

NOTE 4 LOAN RECEIVABLE (continued)

The following represents a reconciliation of activity of Invest Newark's loans receivable for the year ended December 31, 2022, and 2021.

	 2022	 2021
Beginning balance New loans granted	\$ 2,302,622 64,633	\$ 394,733 2,662,154
Subtotal	 2,367,255	 3,056,887
Less: Conversions of loans receivable to other receivable and equipment Less: Payments received and write offs	 (775,251) (534,302)	 - (754,265)
Ending balance Balance at December 31, Less: Allowance for doubtful accounts	1,057,702 (99,376)	2,302,622 (221,275)
Net balance at December 31,	\$ 958,326	\$ 2,081,347

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 has been 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:

	 2022	-	2021
Beginning balance Less: Write offs Adjustments associated with funds held	\$ 221,275 (16,047)	\$	78,852 -
for others Bad debt expense (recovery)	 - (105,852)		63,967 78,456
Balance at December 31,	\$ 99,376	\$	221,275

Notes to the Financial Statements For the Year Ended December 31, 2022

NOTE 5 LIQUIDITY AND AVAILABLE FUNDS

The following table reflects Invest Newark's financial assets as of December 31, 2022 and 2021, 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, 2022 and 2021:

	 2022		2021
Financial assets Cash and cash equivalents Loans receivable - current portion	\$ 6,702,734 136,668	\$	5,338,193 603,899
Financial assets available to meet cash needs for general expenditures within one year, at December 31,	\$ 6,839,402	<u>\$</u>	5,942,092

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, 2022 and 2021, Invest Newark had no revolving bank line of credit. No funds were borrowed during the fiscal year ended December 31, 2022.

NOTE 6 FURNITURE, EQUIPMENT AND OTHER PROPERTY, NET

Furniture, equipment and other property, net consisted of the following at December 31, 2022 and 2021:

	 2022	 2021
Furniture, equipment and other Leasehold improvements Land and land improvements	\$ 586,724 202,086 4,644,934	\$ 400,760 195,410 4,780,380
Subtotal Less: Accumulated depreciation	 5,433,744 (631,552)	 5,376,550 (583,063)
Property and equipment, net	\$ 4,802,192	\$ 4,793,487

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.

Notes to the Financial Statements For the Year Ended December 31, 2022

NOTE 7 LAND BANK PROGRAM

At December 31, 2022, land and improvements associated with the Land Bank program are as follows:

	 2022	 2021
Land Improvements Construction in progress	\$ 1,797,500 1,589,500 1,257,934	\$ 2,394,600 1,781,300 604,480
Land and improvements (Land Bank Program)	\$ 4,644,934	\$ 4,780,380

The Agency took title to vacant, abandoned and foreclosed properties with a fair value of approximately \$5,303,200 during the year ended December 31, 2021. 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:

	 2022	 2021
Sales proceeds	\$ 1,167,750	\$ 1,158,852
Sales proceeds applied against an outstanding loan receivable Property basis, including improvements	 (175,585) (1,025,599)	 (1,497,370)
Net realized loss on sale of properties	\$ (33,434)	\$ (338,518)

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'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 which 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, 2022, and 2021 are as follows and are reflected with assets in the accompanying statement of financial position:

Notes to the Financial Statements For the Year Ended December 31, 2022

NOTE 8 FUNDS HELD IN TRUST (continued)

	2022		2021	
Horizon Settlement (Riverfront Park				
Project)	\$	21,466	\$	(27,356)
City Cleanliness Program		-		108,374
Newark Fiber ARPA Funds		(457,875)		1,653,388
505 Clinton Construction Fund		401,466		-
Nourishing Newark Food Desert Grant				
Program		(11,329)		-
Latin Heritage Programming		-		-
Summer Initiative Grant Program		(102,997)		-
TD Bank Download Frankel Escrows		-		4,264
Foundation Grants & Contributions		199,466		161,338
NCEDC Settlement Account		-		32,675
Newark Street Academy - NSA		91,977		201,810
UEZ Funds		3,853,340		3,520,432
Section 108 Guarantee Loan Fund		64,313		1,026,768
My Very Own Library		-		9,099
Neighborhood Stabilization Fund		-		19,936
Newark Paper Corp.		-		167,095
Other				26,393
Balance at December 31,	\$	4,059,827	\$	6,904,216

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, 2022 and 2021 financed with funds held in trust is \$1,086,369 and \$1,419,322, respectively. The total liabilities for funds held in trust for others as of December 31, 2022 and 2021 was \$5,132,478 and \$8,323,538, respectively.

Notes to the Financial Statements For the Year Ended December 31, 2022

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, 2022 and 2021:

	 2022	 2021
Land Bank USDA Farmer's Protection Program 1772 Urban Foundation Greater Newark Conservancy AFLAC	\$ 30,468 12,487 36,147 6	\$ 6,751 30,468 12,487 36,147 4
	\$ 79,108	\$ 85,857

NOTE 10 BUSINESS RISK

Invest Newark is largely funded by 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 PAYCHECK PROTECTION LOAN

On April 23, 2020, Invest Newark entered into an agreement with TD Bank for \$313,000 promissory note pursuant to partial relief provided by CARES Act under the purview of United States Small Business Administration. The loan is financed at 1% and was set to mature on April 23, 2022. The repayment of this loan was conditional upon satisfaction of certain requirements. In accordance with the CARES Act, the Agency may apply for the loan to be forgiven by SBA in whole or in part. Any balance remaining following forgiveness by the SBA is to be fully amortized over the remaining term of the loan. The loan was fully forgiven during 2021 and the loan amount is reflected in other income in the accompanying statement of activities for the year ended December 31, 2021.

Notes to the Financial Statements For the Year Ended December 31, 2022

NOTE 12 RETIREMENT PLAN

Upon employment, employees are eligible to participate in Invest Newark's 403(b) defined contribution pension plan (the "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, 2022. Contributions of \$178,547 and \$100,705 are reflected in the Agency's expenses for the years ended December 31, 2022 and 2021, respectively.

NOTE 13 NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2022, the Agency has \$845,889 of net assets with donor-restrictions, which are 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

As of December 31, 2021, the Agency had \$300,000 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
- \$250,000 small business development grant

These amounts were utilized for donor-restricted purposes and released from restrictions during the year ended December 31, 2022.

NOTE 14 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 GAAP. Accordingly, such information should be read in conjunction with Invest Newark's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Notes to the Financial Statements For the Year Ended December 31, 2022

NOTE 15 LITIGATION

The Agency was named in lawsuits against the City of Newark by a former employee of the company. The parties of the lawsuit agreed to a settlement and the suit was dismissed. The settlement amount was paid by the Agency's insurance carrier.

NOTE 16 SUBSEQUENT EVENTS

Invest Newark has evaluated subsequent events occurring after the balance sheet date through the date of August 23, 2023, which is the date the financial statements were available to be issued. Based on this evaluation, Invest Newark has determined that no subsequent events have occurred that require disclosure in the financial statements.

