

THE MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.

COUNTY OF ESSEX

FINANCIAL STATEMENTS – MODIFIED CASH BASIS

DECEMBER 31, 2021

MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.
TABLE OF CONTENTS
DECEMBER 31, 2021

	<u>Page</u>
Independent Auditors' Report	1-2
<u>Financial Statements</u>	
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis	3
Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis	4
Statement of Functional Expenses - Modified Cash Basis	5
Notes to Financial Statements	6-15
Comments and Recommendations	16
Summary of Recommendations	17

Independent Auditors' Report

To the Board of Trustees of the
Millburn Short Hills Business Organization, Inc.
Millburn, New Jersey 07041

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Millburn Short Hills Business Organization, Inc. (a nonprofit organization) (the “Organization”), which comprise the statement of assets, liabilities, and net assets— modified cash basis as of December 31, 2021, and the related statement of support, revenue, and expenses — modified cash basis 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 assets, liabilities, and net assets – modified cash basis of Millburn Short Hills Business Organization, Inc. as of December 31, 2021, and its support, revenue, expenses, and changes in net assets – modified cash basis for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Emphasis of Matter — Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors' Responsibilities 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 auditors' 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 the Organization'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 the Organization'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.

Mount Arlington, New Jersey
April 29, 2022

Nisiroccia LLP
NISIVOCCIA LLP

Valerie A. Dolan

Valerie A. Dolan
Registered Municipal Accountant No. 548
Certified Public Accountant

MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2021

ASSETS

Cash and Cash Equivalents	\$ 24,979.61
TOTAL ASSETS	<u>\$ 24,979.61</u>

NET ASSETS

NET ASSETS:	
Without Donor restrictions	<u>24,979.61</u>
TOTAL NET ASSETS	<u>\$ 24,979.61</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions
Support and Revenue:	
Township Appropriation	\$ 204,000.00
Prior Year Township Appropriation	2,478.24
Township Emergency - Hurricane Ida Relief	220,000.00
Private Contributions	220,460.00
Total Support and Revenue	646,938.24
Expenses:	
Program Services:	
Business Organization	486,461.29
Supporting Services:	
General and Administrative	135,437.84
Fundraising	11,898.93
Total Supporting Services	147,336.77
Total Expenses	633,798.06
Change in Net Assets	13,140.18
Net Assets January 1	11,839.43
Net Assets December 31	\$ 24,979.61

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total</u>
	<u>Business Organization</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Consultant Services		\$ 118,587.00		\$ 118,587.00	\$ 118,587.00
Marketing and Social Media	\$ 13,812.86				13,812.86
Legal Services		8,544.00		8,544.00	8,544.00
Accountant/Auditor		5,033.00		5,033.00	5,033.00
Insurance		1,000.00		1,000.00	1,000.00
Membership Dues/Fees		1,045.00		1,045.00	1,045.00
Office Supplies/Mailings		1,228.84		1,228.84	1,228.84
"Explore Refresh" Program	2,693.06				2,693.06
Holiday/Seasonal Events	13,869.80				13,869.80
Mudball Fundraiser for Hurricane Ida Relief			\$ 11,898.93	11,898.93	11,898.93
Live Music	9,500.00				9,500.00
Streetscape/Aesthetic Improvements	9,115.00				9,115.00
Lighting/Signage/Historical Markers	9,971.39				9,971.39
Curb Efficiency Study	3,500.00				3,500.00
Meals & Travel	499.18				499.18
Board Training	1,750.00				1,750.00
Hurricane Ida Disaster Recovery Distributions	421,750.00				421,750.00
Total Expenses	<u>\$ 486,461.29</u>	<u>\$ 135,437.84</u>	<u>\$ 11,898.93</u>	<u>\$ 147,336.77</u>	<u>\$ 633,798.06</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 - Nature of Activities

Millburn Short Hills Business Organization, Inc. (the "Organization") is a nonprofit corporation organized under the laws of the State of New Jersey. The Organization was established to support and promote the businesses throughout the five areas of Millburn Township's Special Improvement District that was established in 2020. The Organization is funded primarily through a special district levy from the businesses in the Special Improvement District.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of the Organization have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Accordingly, revenue is recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), 605-205-15, *Accounting for Contributions Received and Made*, and FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities*. FASB ASC 958-10-65, *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. In addition, the standard requires the presentation of qualitative information on how the Organization manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of assets, liabilities, and net assets – modified cash basis's date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements. FASB ASC 605-205-15, *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions include all funds not restricted by a donor or grantor and assets whose use is not restricted through contractual or regulatory control of a third-party payer or under debt agreements.

MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Net Assets with Donor Restrictions

Net assets with donor restrictions are net assets that represent those amounts which are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenue, expenses, and changes in net assets – modified cash basis as net assets released from donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At December 31, 2021, there were no net assets held with donor restrictions.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of revenue and support, expenses, and changes in net assets – modified cash basis. The statement of functional expenses – modified cash basis presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses are charged to program services based on direct expenditures incurred. Support costs are allocated to program services based on total program costs. Program expenses are those related to first aid assistance. General and administrative services relate to administrative expenses associated with that program.

Cash and Cash Equivalents

The Organization considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

Support and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenue and support, expenses, and changes in net assets – modified cash basis as net assets released from restrictions.

However, if the donor restriction is satisfied during the accounting period in which the gift was received, the gifts are reported as contributions without donor restrictions in the statement of revenue and support, expenses, and changes in net assets – modified cash basis. Contributions of services and facilities, if any, are recorded at their estimated fair values on the date of the gift.

MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Fair Value of Financial Instruments

In accordance with FASB ASC, Fair Value Measurements and Disclosures, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability.

The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2021.

Cash and cash equivalents: The carrying amount approximates fair value because of the short-term maturity of these instruments.

Income Taxes

The Organization is recognized by the Internal Revenue Service as a nonprofit organization under Internal Revenue Code Section 501(c)(3) and is thereby exempt from federal income taxes. The Organization is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not-for-Profit Act*. It is classified as a publicly supported organization pursuant to Section 509(a)(2), and not as a private foundation.

The Organization follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

The Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended December 31, 2021. However, the Organization is subject to regular audit by tax authorities. The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

As required by law, the Organization files informational returns with both the Federal and New Jersey State governments on an annual basis - Form 990 with the Internal Revenue Service, and Form CRI-300R with the state. These returns are subject to examination by these authorities within certain statutorily defined periods from the latest filing date for federal and for New Jersey.

MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

Note 2 - Summary of Significant Accounting Policies (Cont'd)

Concentrations of Credit Risk

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk related to cash.

Revenue Risk

Approximately 67% of its support and revenue come from the Township of Millburn through budget appropriations and a onetime emergency appropriation for Hurricane Ida Relief. This funding is dependent upon monies approved in the Millburn Short Hills Business Organization, Inc. budget by the governing body. Accordingly, there is no guarantee that such funding will continue.

Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that the Organization's estimates may change in the near term.

Donated Services

A significant number of volunteers have made significant contributions of their time to the Organization. The value of this contributed time is not reflected in these financial statements since it does not meet the requirements for recognition under the modified cash basis of accounting.

New Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. The FASB ASU requires nonprofits to present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets along with expanded disclosure requirements. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. Management is evaluating the impact this ASU will have on its financial statements.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2021 through the date of the independent auditor's report and the date the financial statements were available to be issued, April 29, 2022. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with modified cash basis of accounting. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(Continued)

Note 3 - Liquidity and Availability of Funds

The adoption of FASB Update No. 2016-14 requires the presentation of qualitative information on how the Organization manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of assets, liabilities and net assets date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of assets, liabilities and net assets date, were cash and cash equivalents of \$24,979.61 as of December 31, 2021.

Note 4 - Related Party Transactions

Certain Trustees of the Organization are also trustees or employees of the Township of Millburn which is a governmental agency. As described in Note 1, the Organization was organized to support and promote the businesses throughout the five areas of Millburn Township's Special Improvement District.

Note 5 - Risks and Uncertainties:

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Organization operates and the related impact on consumer confidence and spending, all of which are highly uncertain. The related financial impact and duration cannot be reasonably estimated at this time.

MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.
COMMENTS AND RECOMMENDATIONS

Contracts

During our review of the Organization's internal controls, we noted that a marketing consultant was appointed without a contract where expenditures exceeded the bid threshold.

Recommendation

It is recommended that the Organization award contracts to all significant vendors including marketing consultants.

Management Response

The Marketing Director hired in 2020 was hired without a contract. That vendor is no longer with the organization and the replacement has a contract in place which rectifies the issue.

Supporting Documentation

During our review of purchases, it was noted that supporting documentation for expenditures was not always available for purchases made prior to May 20, 2021. It was also noted that while the Ida funds were adequately supported and expended in accordance with the Memorandum of Understanding with the Township of Millburn, the approval of Ida funds by the Ida subcommittee were not adequately documented.

Recommendation

It is recommended that the supporting documentation for all expenditures be maintained for audit inspection and a standardized approval process be created and maintained which adequately documents all approvals including those of sub committees.

Management Response

Management acknowledges that financial documentation prior to hiring an Executive Director in May 2021 was limited. The hiring of an Executive Director has remedied this issue and all documents were made available to the auditors. The Organization will create a formalized process of documenting all expenditure approvals.

MILLBURN SHORT HILLS BUSINESS ORGANIZATION, INC.
SUMMARY OF RECOMMENDATIONS

It is recommended that:

1. The Organization award contracts to all significant vendors including marketing consultants.
2. The supporting documentation for all expenditures be maintained for audit inspection and a standardized approval process be created and maintained which adequately documents all approvals including those of sub committees.

* * * * *