

**Big Brother Big Sisters of Mercer County, Inc.  
Financial Statements for the Years Ended  
December 31, 2022 and 2021, and  
Independent Auditor's Report**

# **Ditmars, Perazza & Co.**

CERTIFIED PUBLIC ACCOUNTANT

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## **Independent Auditor's Report**

To the Board of Trustees of Big Brothers

Big Sisters of Mercer County, Inc.:

July 5, 2022

**June 20, 2023**

### **Opinion**

We have audited the accompanying financial statements of the Big Brothers Big Sisters of Mercer County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities of functional expenses and of cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Mercer County, Inc. 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. 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 Big Brothers Big Sisters of Mercer County, Inc. 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's 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 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Big Brothers Big Sisters of Mercer County, Inc.'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 Big Brothers Big Sisters of Mercer County, Inc.'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.

### **Report on Summarized Comparative Information**

We have previously audited Big Brothers Big Sisters of Mercer County, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 5, 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.



Ditmars, Perazza & Co.

**Big Brothers Big Sisters of Mercer County, Inc.**  
**Statement of Financial Position**  
**For the Year Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 625,223	\$ 474,046
Certificates of deposit	15,317	15,286
Grants receivable	16,760	18,769
Other receivables	-	90,652
Prepaid expenses and other assets	8,888	7,509
Furniture, fixtures and improvements less accumulated depreciation	4,881	6,537
Beneficial interest in assets held by a Community Foundation-Reserve Fund	257,205	291,367
<b>Total Assets</b>	<b>\$ 928,274</b>	<b>\$ 904,166</b>
 <b>Liabilities and Net Assets:</b>		
Liabilities:		
Accounts payable & accrued expenses	\$ 21,923	\$ 46,793
<b>Total Liabilities</b>	<b>21,923</b>	<b>46,793</b>
Net assets:		
Without donor restrictions	906,351	857,373
<b>Total Net Assets</b>	<b>906,351</b>	<b>857,373</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 928,274</b>	<b>\$ 904,166</b>

*The accompanying footnotes are an integral part of the financial statements.*

**Big Brothers Big Sisters of Mercer County, Inc.**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

(with summarized totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022</u>	<u>2021</u>
<b>Public Support and Revenue:</b>				
Public Support:				
Contributions	\$ 208,299		\$ 208,299	97,683
Contributed services and facilities	24,000		24,000	18,000
Mercer County	54,472		54,472	18,769
Federal pass thru grants	2,004		2,004	19,030
State of New Jersey	99,735		99,735	151,952
United Way			-	731
Grants and Donations	289,184	\$ 20,000	309,184	297,029
Payroll Protection Plan Grant			-	105,587
Special events				
Revenue	248,729		248,729	260,126
Less direct costs	(109,761)		(109,761)	(119,882)
Interest and dividend income	5,857		5,857	3,597
Realized and unrealized gains (losses)	(35,944)		(35,944)	20,546
Employee retention tax credit			-	54,047
Net assets released from restrictions	20,000	(20,000)	-	-
<b>Total Public Support and Revenue</b>	<u>806,575</u>	<u>-</u>	<u>806,575</u>	<u>927,215</u>
<b>Expenses:</b>				
Program Services	518,956		518,956	418,957
Management and General	110,642		110,642	76,021
Fundraising	127,999		127,999	122,023
<b>Total Expenses</b>	<u>757,597</u>	<u>-</u>	<u>757,597</u>	<u>617,001</u>
<b>Change in Net Assets From Operations</b>	48,978	-	48,978	310,214
<b>Net Assets - Beginning of the Year</b>	857,373	-	857,373	547,159
<b>Net Assets - End of the Year</b>	<u>\$ 906,351</u>	<u>\$ -</u>	<u>\$ 906,351</u>	<u>857,373</u>

*The accompanying footnotes are an integral part of the financial statements.*

**Big Brothers Big Sisters of Mercer County, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2022**

(with summarized totals for 2021)

	Program Services	Management & General	Fundraising	Total 2022	Total 2021
Salaries and wages	\$ 317,132	\$ 23,750	\$ 80,000	\$ 420,882	\$ 360,336
Payroll taxes	26,213	1,963	6,613	34,789	30,173
Employee benefits	32,052	7,926	11,613	51,591	37,904
General insurances	9,662	6,876		16,538	22,192
Professional and consultant fees	10,000	54,241		64,241	46,966
Travel	6,258			6,258	216
Office expenses	12,534	1,500	7,421	21,455	19,145
Office moving expenses				-	16,503
Cleaning and maintenance	4,756			4,756	3,134
Postage	5,025	1,200	1,656	7,881	2,340
Local dues and subscriptions	3,502	1,200	1,292	5,994	8,884
Dues-National	18,734			18,734	18,589
Conferences and meetings	1,103			1,103	273
Rent	24,000			24,000	18,000
Equipment rental and maintenance	6,373	4,536		10,909	10,181
Group programs	10,126			10,126	5,058
Telephone	2,305	1,000	641	3,946	3,437
Public relations/marketing	25,482		17,425	42,907	2,308
Payroll service/marketing		4,682		4,682	3,966
Fees-bank and credit cards	2,583	1,000	1,338	4,921	4,471
Miscellaneous	148	80		228	600
<b>Total Expenses Before Depreciation</b>	<b>517,988</b>	<b>109,954</b>	<b>127,999</b>	<b>755,941</b>	<b>614,676</b>
Depreciation	968	688		1,656	2,325
<b>Total Expenses</b>	<b>\$ 518,956</b>	<b>\$ 110,642</b>	<b>\$ 127,999</b>	<b>\$ 757,597</b>	<b>\$ 617,001</b>

*The accompanying footnotes are an integral part of the financial statements.*

**Big Brothers Big Sisters of Mercer County, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b><u>Cash Flows From Operating Activities:</u></b>		
Change in net assets	\$ 48,978	\$ 310,214
Adjustments to reconcile change in net assets to net cash used in operations:		
Depreciation and amortization	1,656	2,325
Forgiveness of Payroll Protection Program loan		(105,587)
<b>Total After Non Cash Adjustments</b>	<b>50,634</b>	<b>206,952</b>
(Increase) Decrease in:		
Prepaid expenses and other assets	(1,379)	(36)
Grants and fees receivable	92,661	(98,618)
Certificates of deposit	(31)	(32)
Increase (Decrease) in:		
Accounts payable & accrued expenses	(24,870)	21,414
<b>Total From(Used) in Operating Activities</b>	<b>117,015</b>	<b>129,680</b>
<b><u>Cash Flows From Investing Activities:</u></b>		
Investment-Community Foundation	34,162	(47,370)
<b>Total Used in Investing Activities</b>	<b>34,162</b>	<b>(47,370)</b>
<b><u>Cash Flows From Financing Activities:</u></b>		
Proceeds from Payroll Protection Plan Loan		-
<b>Total From Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Change in Cash Balances</b>	151,177	82,310
<b>Cash &amp; Equivalents, Beginning</b>	474,046	391,736
<b>Cash &amp; Equivalents, Ending</b>	<b>\$ 625,223</b>	<b>\$ 474,046</b>

*The accompanying footnotes are an integral part of the financial statements.*

**Big Brother Big Sisters of Mercer County, Inc.**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**

**1. Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies of Big Brothers Big Sisters of Mercer County, Inc. (Big Brothers Big Sisters) a New Jersey not-for-profit corporation.

**Organization**

Big Brothers Big Sisters is engaged in matching Big Brothers and Big Sisters (adults) to children in need of role models for their total development in society. Big Brothers Big Sisters services communities within Mercer County. Big Brothers Big Sisters is exempt from federal and state income taxes under Section 501 (c) (3) of the Internal Revenue Code and similar state provisions.

The Organization received approximately 17% of its revenue from fundraising activities in 2022, and approximately 19% from government contracts in 2022. The balance is comprised of grants, contributions, and investment income.

Revenue from government grants and contracts are subject to continued funding. Additionally, revenue from contributions and investment income are subject to the continued support of donors and investment performance.

**Basis of Accounting**

The financial statements of Big Brothers Big Sisters are presented on the accrual basis of accounting.

**Basis of Presentation**

The Organization presents its net assets in two net assets classes, Net Assets with Donor Restrictions and Net Assets Without Donor Restrictions. Net Assets without donor restrictions are available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.



## **Recent Accounting Pronouncements**

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board issued guidance that replaces the existing accounting standards for revenue recognition. The guidance requires an organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it entitled to receive in exchange for those goods or services.

Leases – Issued in February 2016, Accounting Standards Update (ASU) No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. This new accounting will apply to both types of leases-capital (or finance) leases and operating leases. Previously, accounting principles generally accepted in the United States of America has required only capital leases to be recognized on the lessee statement of financial position. The new standard was effective for the current year.

Contributions - In June 2018, FASB issued ASU 2018-08 “*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*”. The new guidance assists not-for-profit entities in determining whether to account for a transfer of assets as a contribution or an exchange transaction. The update also clarifies that a contribution is conditional if the agreement includes both a barrier (as defined) and a right of return or release. This standard became effective during a prior year.

## **Donor Imposed Restrictions**

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions. The Organization follows the policy of showing donor contributions whose restrictions are met in the same reporting period as donations without donor restrictions.

## **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Big Brothers Big Sisters considers all liquid investments with a maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2021 consisted of checking and money market accounts. The Organization places its cash and cash equivalents, which bear minimal risk. At times the balances may exceed federally insured limits.

### **Donated Services Facilities and Supplies**

Big Brothers Big Sisters use space in a building owned by the Township of Hamilton. During 2022 Big Brothers Big Sisters used the building for twelve months and did not pay any rent. The Organization estimates that the fair rental value is \$ 2,000 per month. As such Big Brothers Big Sisters has recorded an adjustment of \$24,000 in 2022 to reflect an estimated fair rental value. Facility costs are allocated to program and supporting activities. The Organization is in the process of finalizing a new lease agreement with Hamilton Township.

In addition, many individuals volunteer their time in the furtherance of Big Brothers Big Sisters mission.

### **Investments**

Investments in marketable securities with readily determinable fair values and investments in debt securities are carried at fair value. Big Brothers Big Sisters record donated securities at fair market value at the date of the receipt. Unrealized gains and losses are included in the accompanying statements of activities. Big Brothers Big Sisters classify net realized and unrealized gains and losses as investment return. Income earned from the investment of contributions, which are restricted only as to the use of corpus, are included in without donor restricted net assets.

### **Furniture, Fixtures and Improvements**

Big Brothers Big Sisters capitalize all significant expenditures for property and equipment, including donated property, which is capitalized at fair value. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of five years. Repairs and maintenance, which do not extend the useful lives of the related assets, are expensed as incurred.

### **Refundable Advances**

Unearned advances that are to be returned to the grantor agency if not spent in accordance with the grant are reflected as refundable advances.

### **Contributions**

Big Brothers Big Sisters accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board. In accordance with these standards, contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions, depending on the existence or nature or any donor restrictions.

### **Income Taxes**

Income taxes are not provided for in the financial statements since Big Brothers Big Sisters is exempt from federal and state income taxes. Big Brothers Big Sisters is not classified as a private foundation.

In June 2006 the Financial Accounting Standards Board issued FIN 48, Accounting for Uncertainty in Income Taxes, which prescribes how an entity should measure, recognize, present and disclose in its financial statements tax positions that an organization has taken or expects to take on its information returns.

Big Brothers Big Sisters regularly reviews and evaluates its tax positions taken in previously filed information returns with regard to issues affecting its tax exempt status, unrelated business income and related matters. Based on Big Brothers Big Sisters evaluation of their positions relating to any relevant matters no tax benefits or liabilities are required to be recognized in accordance with FIN 48.

### **Payroll Tax Filings**

All required payroll tax filings for the year 2022 have been made and all of the required payroll tax liabilities have been paid. In addition, the agency has filed Form 990 with the Internal Revenue Service.

### **Subsequent Events**

The Financial Accounting Standards Board has issued a standard that applies to annual financial periods ending after June 15, 2009. These standards establishes principles setting forth the period after the balance sheet date during which management shall evaluate events and transactions that may occur for potential recognition or disclosure in the financial statements. For the purposes of this accounting standard, Big Brothers Big Sisters has evaluated subsequent events through June 20, 2023.

## **Fair Value Measurements**

Big Brothers Big Sisters has adopted the Financial Accounting Standards Board's standards that applies to all assets and liabilities that are being measured and reported on a fair value basis. Under the standards new disclosures are required that establish a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. The standards enable the reader of the financial statements to access the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

The standards require that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

1. Level 1: Quoted market prices in active markets for identical assets or liabilities
2. Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
3. Level 3: Unobservable inputs that are not corroborated by market data.

The carrying amounts of financial instruments including cash and cash equivalents, receivables, prepaid and payables approximates fair value due to the short maturity of these instruments.

## **Functional Allocation of Expenses**

The costs of providing the programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses are allocated on a reasonable basis this is consistently applied based on effort, time or usage.

## **Pool Investments**

The Organization has investment funds with the Princeton Area Community Foundation (PACF) and are stated at fair value in the Statement of Financial Position. Under the Fund agreement, the Board of Trustees of PACF have full authority and discretion as to the investment of the assets of the Fund. All interest, dividends, realized and unrealized gain and losses, and expenses are reported in the Statement of Activities as increases or decreases in net assets without donor restrictions.

### **2. Beneficial Interest in Assets Held by Foundation**

Investments are held in pooled funds invested with PACF. As a participant in the pooled funds, Big Brothers Big Sisters' ownership interest is based on the allocation of the fair

value of their units to the total fair value of the investment pool. The investment pool is managed using a long term diversity strategy and is invested on a total return basis. The total return describes the change in fund value over time resulting from interest, dividends and capital appreciation/depreciation as a result of both realized and unrealized gains and losses. The pool is revalued monthly and income/expenses, gains and losses are allocated to the participants based on their units. All investment are measured at fair value in the Statement of Financial Position. The change in fair value of pooled funds invested with PACF from earnings is included in investment income or realized or unrealized gains and losses as net assets without donor restrictions.

The fair value of the investments held by PACF as of December 31, 2022, valued using Level 3 measurement factors, amounted to \$ 257,205. The investments consist of public traded corporate bond funds, domestic and international equity funds, privately held companies, closely held limited partnerships, and investment companies. The fair value of the investments held by PACF is based on a percentage interest in PACF's fair value as represented by PACF's management.

The following is a summary of the activity for the year ended December 31, 2021:

Balance at December 31, 2021	\$ 291,367
Transfers to the Fund	-
Investment Income	<u>(34,162)</u>
Balance at December 31, 2022	<u>\$ 257,205</u>

### 3. Furniture, Fixtures and Improvements

Furniture, fixtures and improvements consist of the following at December 31, 2022:

Leasehold Improvements	\$ 40,909
Furniture, Fixtures and Equipment	67,253
Less – Accumulated Depreciation	<u>(103,281)</u>
Furniture, fixtures and improvements – net	<u>\$ 4,881</u>

### 4. Retirement Plan

The Organization has established a 401(k) plan covering all eligible employees. The plan allows for employee contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. The Organization may make discretionary contributions to the Plan. No contributions were made by the Organization during 2022.

## 5. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2021 from which the summarized information was derived.

## 6. Liquidity and Availability

Financial assets available for general expenditures within one year of the statement of financial position date comprise the following:

Cash and cash equivalents	\$ 625,223
Certificate of deposit	15,317
Grants and accounts receivable	16,760
Beneficial interest in assets held by PACF	257,205
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Total Financial Assets Available for General Expenditures	\$ 914,505
	=====

Big Brothers Big Sisters regularly monitors liquidity to meet its operating needs. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and receivables.

For purposes of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all expenditures related to its ongoing activities of providing social services as well as the conduct of services undertaken to support these activities to be general expenditures.

## 7. COVID 19 Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) that the World Health Organization characterized as a pandemic. In mid March 2020 the State of New Jersey ordered the closure of the physical location of every "non-essential" business. As a result the Organization suspended or changed their programs to comply with the new guidelines issued by the State and the CDC. In 2021 several vaccines have been made available and many of the restrictions have started to be released. As such the Organization was able to offer their full level of services starting in late 2021 which continued in 2022.

The Organization applied for a loan under the Payroll Protection Program created as a part of the relief efforts related to COVID-19 and administered by the Small Business

Administration and received \$ 105,567 on April 15, 2020. The loan accrues interest but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100 % of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal Government. In May of 2021 the Organization received approval that the loan has been forgiven. As such the loan was reclassified as grant income in the accompanying Statement of Activities for the year ended December 31, 2021..