

PRINCETON FIRST AID AND RESCUE SQUAD

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 16

INDEPENDENT AUDITOR'S REPORT

May 25, 2021

Board of Trustees
Princeton First Aid and Rescue Squad
Princeton, New Jersey

Opinion

We have audited the accompanying financial statements of Princeton First Aid and Rescue Squad (a not-for-profit organization) (the "Squad") which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 the Squad as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the Squad and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility 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 Squad'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 Responsibility

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.

O'CONNELL & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

SUITE 1100
165 TOWNSHIP LINE ROAD
JENKINTOWN, PA 19046

Auditor's Responsibility (Continued)

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 the Squad's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounts policies 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 Squad'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.



O'Connell and Company, LLC

PRINCETON FIRST AID AND RESCUE SQUAD

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 228,526	\$ 1,293,650
Investments	4,490,643	3,263,267
Accounts receivable, net of provision for uncollectible accounts of \$96,992 and \$221,657 for the years ended December 31, 2020 and 2019, respectively	79,357	166,263
Pledges receivable, net	211,566	512,071
Other assets	46,155	49,859
Fixed assets	<u>8,637,091</u>	<u>8,826,985</u>
TOTAL ASSETS	<u>\$ 13,693,338</u>	<u>\$ 14,112,095</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 95,813	\$ 223,141
Construction payable	-	422,790
Note payable	<u>97,493</u>	<u>132,623</u>
Total Liabilities	<u>193,306</u>	<u>778,554</u>
Net Assets		
Without donor restrictions		
Unrestricted	8,940,247	10,321,643
Designated endowment	1,105,925	-
Designated other	<u>2,024,545</u>	<u>1,823,680</u>
	12,070,717	12,145,323
With donor restrictions		
Endowment	1,429,315	-
Purpose restrictions	<u>-</u>	<u>1,188,218</u>
	<u>1,429,315</u>	<u>1,188,218</u>
Total Net Assets	<u>13,500,032</u>	<u>13,333,541</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,693,338</u>	<u>\$ 14,112,095</u>

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

PRINCETON FIRST AID AND RESCUE SQUAD

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Donor Restrictions	With Donor Restrictions	Total	Donor Restrictions	With Donor Restrictions	Total
REVENUE & SUPPORT						
Service revenue	\$ 1,395,007	\$ -	\$ 1,395,007	\$ 1,863,538	\$ -	\$ 1,863,538
Less: contractual allowances	(534,293)	-	(534,293)	(685,100)	-	(685,100)
Net billing revenue	860,714	-	860,714	1,178,438	-	1,178,438
Contributions	183,153	220,799	403,952	113,781	1,636,738	1,750,519
Grants and trusts	5,472	-	5,472	71,216	-	71,216
Fund Drive	284,319	-	284,319	116,616	-	116,616
Investment income	319,816	140,890	460,706	431,856	-	431,856
Other income	27,038	-	27,038	18,278	-	18,278
Gain on extinguishment of debt	276,700	-	276,700	-	-	-
Gain on disposal of property	-	-	-	530,228	-	530,228
Satisfaction of program restriction	120,592	(120,592)	-	7,332,447	(7,332,447)	-
TOTAL REVENUE & SUPPORT	<u>2,077,804</u>	<u>241,097</u>	<u>2,318,901</u>	<u>9,792,860</u>	<u>(5,695,709)</u>	<u>4,097,151</u>
EXPENSES						
Program services	1,560,008	-	1,560,008	1,288,748	-	1,288,748
Management and general	350,004	-	350,004	232,301	-	232,301
Fund raising	242,398	-	242,398	384,762	-	384,762
TOTAL EXPENSES	<u>2,152,410</u>	<u>-</u>	<u>2,152,410</u>	<u>1,905,811</u>	<u>-</u>	<u>1,905,811</u>
(DECREASE) INCREASE IN NET ASSETS	(74,606)	241,097	166,491	7,887,049	(5,695,709)	2,191,340
NET ASSETS - Beginning of year	<u>12,145,323</u>	<u>1,188,218</u>	<u>13,333,541</u>	<u>4,258,274</u>	<u>6,883,927</u>	<u>11,142,201</u>
NET ASSETS - End of year	<u>\$ 12,070,717</u>	<u>\$ 1,429,315</u>	<u>\$ 13,500,032</u>	<u>\$ 12,145,323</u>	<u>\$ 1,188,218</u>	<u>\$ 13,333,541</u>

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

PRINCETON FIRST AID AND RESCUE SQUAD

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019			
	Program Services	Management & General	Fund Raising	Total	Program Services	Management & General	Fund Raising	Total
FUNCTIONAL EXPENSES								
Salaries and Benefits								
Salaries and wages	\$ 586,759	\$ 70,826	\$ 154,559	\$ 812,144	\$ 528,353	\$ 51,032	\$ 256,499	\$ 835,884
Payroll taxes	46,819	5,651	12,332	64,802	40,063	3,870	19,449	63,382
Employee benefits	153,539	18,533	40,443	212,515	132,672	12,815	64,408	209,895
Total Salaries and Benefits	787,117	95,010	207,334	1,089,461	701,088	67,717	340,356	1,109,161
Bad debts	-	173,925	-	173,925	-	83,255	-	83,255
Billing	-	43,376	-	43,376	-	55,017	-	55,017
Building maintenance and repairs	45,908	-	-	45,908	10,576	-	-	10,576
Campaign costs	-	-	12,094	12,094	-	-	31,457	31,457
Consumable equipment	13,546	-	-	13,546	14,804	-	-	14,804
Depreciation	419,181	-	-	419,181	274,415	-	-	274,415
Durable equipment	16,751	-	-	16,751	15,658	-	-	15,658
Fees and dues	3,748	-	-	3,748	4,460	-	-	4,460
Fuel	11,290	-	-	11,290	11,064	-	-	11,064
Fundraising	-	-	22,970	22,970	-	-	12,949	12,949
Installation banquet	8,517	-	-	8,517	9,496	-	-	9,496
Insurance	66,140	-	-	66,140	68,378	-	-	68,378
Interest	-	4,627	-	4,627	-	5,973	-	5,973
Meetings and conferences	-	-	-	-	543	-	-	543
Member goodwill and welfare	18,129	-	-	18,129	18,974	-	-	18,974
Miscellaneous	-	4,006	-	4,006	-	4,105	-	4,105
Office supplies and expenses	47,601	-	-	47,601	43,197	-	-	43,197
Professional fees	1,421	29,060	-	30,481	1,394	16,234	-	17,628
Training and drills	32,715	-	-	32,715	42,477	-	-	42,477
Uniforms	3,811	-	-	3,811	6,591	-	-	6,591
Utilities	49,379	-	-	49,379	25,116	-	-	25,116
Vehicle maintenance and repairs	34,754	-	-	34,754	40,517	-	-	40,517
TOTAL FUNCTIONAL EXPENSES	\$ 1,560,008	\$ 350,004	\$ 242,398	\$ 2,152,410	\$ 1,288,748	\$ 232,301	\$ 384,762	\$ 1,905,811

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

PRINCETON FIRST AID AND RESCUE SQUAD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 166,491	\$ 2,191,340
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	419,181	274,415
Less capital campaign contributions	(220,799)	(1,636,738)
Change in allowance for doubtful accounts	(124,665)	64,423
Gain on beneficial interest in Community Foundation	(291,331)	(404,000)
Gain on investments	(154,102)	-
Gain on disposal of property	-	(530,228)
Changes in operating assets and liabilities		
Decrease (Increase)		
Accounts receivable	211,571	(150,453)
Other assets	3,704	1,526
(Decrease) Increase		
Accounts payable and accrued expenses	(127,328)	65,907
NET CASH FLOWS USED BY OPERATING ACTIVITIES	<u>(117,278)</u>	<u>(123,808)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,312,100)	(1,007,930)
Proceeds from sale of investments	1,530,157	1,336,000
Proceeds from sale of fixed assets	-	605,000
Purchase of fixed assets	(652,077)	(7,049,541)
NET CASH FLOWS USED BY INVESTING ACTIVITIES	<u>(1,434,020)</u>	<u>(6,116,471)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of capital campaign contributions	521,304	2,340,065
Repayment - note payable	(35,130)	(33,785)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	<u>486,174</u>	<u>2,306,280</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,065,124)	(3,933,999)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,293,650</u>	<u>5,227,649</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 228,526</u>	<u>\$ 1,293,650</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 4,627</u>	<u>\$ 5,973</u>

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

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Princeton First Aid and Rescue Squad (the "Squad") is a not-for-profit organization. The purpose of the Squad is to save life, relieve the suffering of the sick and injured, and promote safety in and around Princeton, New Jersey. The Squad qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; accordingly, there is no income tax applicable to its activities.

1 Summary of Significant Accounting Policies

The significant accounting policies followed by the Squad are described below to enhance the usefulness of the financial statements to the reader.

Accrual Basis -- The financial statements of the Squad have been prepared on the accrual basis of accounting.

Revenue and Revenue Recognition -- The Squad recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Cash and Cash Equivalents -- For the statement of cash flows, cash includes cash on deposit, cash on hand and certificates of deposits with a maturity of three months or less to be cash equivalents. The Squad does not include cash used to repurchase investments held as part of investment portfolios as cash and cash equivalents.

Accounts Receivable -- The Squad reports its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Squad evaluates the receivables and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections and current credit conditions.

Investments -- Investments are reported at fair value.

Fixed Assets -- Property, plant, and equipment are stated at cost. The Squad's policy is to capitalize equipment and improvements with a unit cost of \$1,000 or more. Depreciation is calculated by the straight-line method over the estimated useful lives of depreciable assets.

Building improvements	15 - 40 years
Furniture and equipment	5 - 20 years

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1 Summary of Significant Accounting Policies (Continued)

Net Assets -- Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for retirement, chapel renovations and other projects.

Net Assets With Donor Restrictions - Net assets subject to donor or 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period when the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses -- The costs of program and supporting services 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.

Contributed Services -- The Squad receives substantial services donated by its members in carrying out its activities. No amounts have been reflected in the financial statements for those services, since they do not meet the criteria outlined in current accounting standards.

Use of Estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements -- Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term as the financial instrument. Alternative investments' fair value are based on their net asset value per unit as reported by their managers.

Level 3 - Inputs to the valuation methodology are unobservable.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities that are measured at fair value are based on one or more of the three valuation techniques that follow:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

Income taxes -- The Squad is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Squad has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations; and to identify and evaluate other matters that may be considered tax positions. The Squad has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

2 Liquidity

The table below represents financial assets available for general expenditures within one year at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 228,526	\$ 1,293,650
Investments	4,490,643	3,263,267
Accounts receivable	79,357	166,263
Pledges receivable	<u>211,566</u>	<u>512,071</u>
Total financial assets	5,010,092	5,235,251
Less amounts not available to be used within one year:		
Board designated with liquidity horizons greater than one year	2,024,545	1,823,680
Board designated endowment	1,105,925	-
Donor restricted for endowment	1,429,315	-
Donor restricted for capital projects	<u>-</u>	<u>1,188,218</u>
Financial assets not available to be used within one year	<u>4,559,785</u>	<u>3,011,898</u>
Financial assets available to meet general expenditures within one year	<u>\$ 450,307</u>	<u>\$ 2,223,353</u>

The Squad has donor-restricted and board-designated assets that are not available for general expenditure within one year in the normal course of operations. These assets limited to use, which are more fully described in Notes 10 and 11, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As part of the Squad's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds.

3 Concentration of Risk

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

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

4 Investments

The following tables set forth by level, within the fair value hierarchy, the Squad's investments as of December 31, 2020 and 2019:

	Assets at Fair Values as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Beneficial interest in				
Community Foundation	\$ -	\$ -	\$ 2,368,263	\$ 2,368,263
Equities	1,217,086	-	-	1,217,086
Fixed income securities	758,881	-	-	758,881
Cash and cash equivalents	146,413	-	-	146,413
	<u>\$ 2,122,380</u>	<u>\$ -</u>	<u>\$ 2,368,263</u>	<u>\$ 4,490,643</u>

	Assets at Fair Values as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Beneficial interest in				
Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,263,267</u>	<u>\$ 3,263,267</u>

The table below sets forth a summary of changes in the fair value of the Squad's Level 3 assets for the years ended December 31, 2020 and 2019:

	2020	2019
Balance - beginning of year	\$ 3,263,267	\$ 3,187,337
Transfers in	299,375	1,007,930
Transfers out	(1,485,710)	(1,336,000)
Gain on beneficial interest in		
Community Foundation	<u>291,331</u>	<u>404,000</u>
Balance - end of year	<u>\$ 2,368,263</u>	<u>\$ 3,263,267</u>

Investment income for the years ended December 31, 2020 and 2019 consists of the following:

	2020	2019
Gain on beneficial interest in	\$ 291,331	\$ 404,000
Community Foundation		
Gain on investments	154,108	-
Interest and dividends	18,895	27,856
Investment manager fees	(3,628)	-
	<u>\$ 460,706</u>	<u>\$ 431,856</u>

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

5 Investment in Community Foundation

On December 20, 2014, the Squad transferred investment assets to the Princeton Area Community Foundation. The purpose is to allow the Squad to take advantage of the Community Foundation's investment management and free the Squad from related administrative work. Funds transferred and the related return on investment can be withdrawn from the Community Foundation up to 100%. The Community Foundation has variance power of the fund, providing the Foundation's Trustees the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes in the sole judgement of the Board. The balance of the Beneficial Interest in Community Foundation as of December 31, 2020 and 2019 was \$2,368,263 and \$3,263,267, respectively.

6 Pledges Receivable

The Squad has pledges receivable as of December 31, 2020 and 2019 amounting to \$211,566 and \$512,071, respectively. Pledges are recorded at their net present value using a discount rate of 4% for the years ended December 31, 2020 and 2019, respectively. Management expects pledges to be collected as follows:

2021	\$ 186,588
2022	31,000
2023	<u>11,000</u>
	228,588
Less: provision for uncollectible pledges	(15,000)
Less: present value discount	<u>(2,022)</u>
	<u>\$ 211,566</u>

7 Fixed Assets

Fixed assets consist of the following:

	<u>2020</u>	<u>2019</u>
Land and building	\$ 8,446,591	\$ 8,326,000
Furniture and equipment	<u>2,561,815</u>	<u>2,453,119</u>
	11,008,406	10,779,119
Less: accumulated depreciation	<u>(2,371,315)</u>	<u>(1,952,134)</u>
	<u>\$ 8,637,091</u>	<u>\$ 8,826,985</u>

Depreciation expense was \$419,181 and \$274,415 for the years ended December 31, 2020 and 2019, respectively.

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

8 Note Payable

On June 27, 2018, the Squad entered into a note payable with Northfield Bank to borrow \$180,000 to finance the purchase of two ambulance remounts. The loan is to be repaid with 60 monthly payments of principal and interest totaling \$3,313. The loan bears interest at a rate of 3.90% per annum. Future minimum principal payments are set forth below:

2021	\$ 36,612
2022	38,066
2023	<u>22,815</u>
	<u>\$ 97,493</u>

9 Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building fund	\$ -	\$ 1,188,218
Endowment	<u>1,429,315</u>	<u>-</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,429,315</u>	<u>\$ 1,188,218</u>

Net assets were reduced from donor restriction by incurring expenses satisfying the restricted purpose or occurrences of other events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Program Restriction Accomplished		
Building	<u>\$ 120,592</u>	<u>\$ 7,332,447</u>

10 Endowment

The Squad's endowment consists of a donor restricted and a board designated fund established primarily to fund supplement yearly operating budget needs. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor imposed restrictions or relevant law. The Board of Trustees has elected to follow the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as required by New Jersey law.

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

10 Endowment (Continued)

The Squad has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield result of the S&P 500 Index while assuming a moderate level of investment risk. The Squad expects its endowment funds, over time, to provide an average rate of return of between 6% and 8%. Actual returns in any given year may vary from this amount. The Squad targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long term objectives within prudent risk constraints.

The Board of Trustees has elected a 5% endowment spending policy beginning in the year ended December 31, 2021.

The financial activity of the endowment funds for the years ended December 31, 2020 is set forth below:

	<u>December 31, 2020</u>		
	<u>Board Designated</u>	<u>Donor Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Investment income	124,940	140,890	265,830
Additions	980,985	1,288,425	2,269,410
Spending allowance	-	-	-
Endowment net assets, end of year	<u>\$ 1,105,925</u>	<u>\$ 1,429,315</u>	<u>\$ 2,535,240</u>

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Squad relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Squad's current assets allocation for both donor restricted and board designated endowment funds is structured to achieve the appropriate level of investment return.

Return Objectives and Risk Parameters

The Squad has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of assets.

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

11 Designated Net Assets

Net assets have been designated for the following purposes as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating reserve	\$ 400,000	\$ 400,000
Vehicles	1,399,545	1,198,680
Capital	<u>225,000</u>	<u>225,000</u>
	<u>\$ 2,024,545</u>	<u>\$ 1,823,680</u>
Endowment	<u>\$ 1,105,925</u>	<u>\$ -</u>

12 Gain on Extinguishment of Debt & Paycheck Protection Program Loan

The Squad received a \$276,700 loan through the U.S. Small Business Administration's Paycheck Protection Program (PPP Loan) in April, 2020. The PPP Loan program was authorized as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which was signed into law on March 27, 2020. Small businesses and eligible not-for-profit organizations were encouraged to apply for the PPP Loan to help retain their current employees and their salary levels during the COVID-19 pandemic. The PPP Loan and accrued interest are eligible to be forgiven if the Squad maintains its employee count and salary level; and uses the fund for payroll and payroll related costs, interest on mortgages, rent, and utilities; and if 60% of the loan proceeds are used for payroll and payroll related costs.

The terms of the PPP Loan indicate the Squad must utilize the proceeds for previously mentioned qualifying expenses during a period not to exceed twenty-four weeks from the time the funds were received. The PPP Loan agreement also states that the Squad must repay any unforgiven portion of the PPP Loan principal, plus interest accruing at the rate of 1% per annum, over the course of two years from the date of receipt. In accordance with the CARES Act, all principal and interest payments were deferred for up to ten months.

The Squad has determined that the PPP Loan represents, in substance, forgivable government assistance and has analogized International Accounting Standard 20 (IAS 20) to record the PPP Loan as a deferred income liability. The AICPA has noted this is an acceptable method in Q&A Section 3200, issued in June, 2020. The Squad's management estimates that they have met the conditions for forgiveness during the year ended December 31, 2020. The Squad's management estimates there is reasonable assurance that the PPP Loan forgiveness assistance will be received during the year ended December 31, 2021. Accordingly, management has recognized the impact by reducing the deferred PPP Loan forgiveness liability by \$276,700 and recording a gain on extinguishment of debt during the year ended December 31, 2020.

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

13 Pension Plan

The Squad has a defined-contribution pension plan that covers all eligible paid day crew employees with at least one thousand hours of service annually. The Squad contributes 7% of salaries for eligible day crew employees. For the years ended December 31, 2020 and 2019, total pension expense under this plan was approximately \$56,856 and \$55,522, respectively.

14 Operating Leases

The Squad has entered into multiple leases for office equipment. These leases qualify as operating leases and payments are charged to expense as they are incurred. Equipment lease expense was \$3,762 and \$2,904 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease payments under the existing lease are as follows:

2021	\$ 3,889
2022	2,679
2023	2,679
2024	2,679
2025	1,563
	<u>\$ 13,489</u>

15 Compensated Absences

Employees of the Squad are entitled to paid vacations, sick days and other time off depending on length of services and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Squad's policy is to recognize the costs of compensated absences when paid to employees.

16 Subsequent Event

On February 11, 2021, the Squad was granted a second draw loan in the amount of \$184,252, pursuant to the Paycheck Protection Program under Division A, Title I of the CARES Act. Under the terms of the Paycheck Protection Program, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Squad intends to use the entire loan amount for qualifying expenses.

The Squad has evaluated all subsequent events through May 25, 2021, the date the financial statements were available to be issued.