

PRINCETON FIRST AID AND RESCUE SQUAD

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

June 7, 2022

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, 2021 and 2020, 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, 2021 and 2020, 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 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.

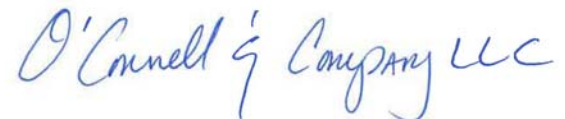
Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 accounting 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, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 250,623 | \$ 228,526 |
| Investments | 4,585,181 | 4,490,643 |
| Accounts receivable, net of provision for uncollectible accounts of \$206,247 and \$96,992 for the years ended December 31, 2021 and 2020, respectively | 206,247 | 79,357 |
| Pledges receivable, net | 134,910 | 211,566 |
| Government refund receivable | 143,912 | - |
| Other assets | 322,577 | 46,155 |
| Fixed assets | <u>8,206,141</u> | <u>8,637,091</u> |
| TOTAL ASSETS | <u>\$ 13,849,591</u> | <u>\$ 13,693,338</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 112,643 | \$ 95,813 |
| Note payable | <u>60,933</u> | <u>97,493</u> |
| Total Liabilities | <u>173,576</u> | <u>193,306</u> |
| Net Assets | | |
| Without donor restrictions | | |
| Unrestricted | 8,631,170 | 8,940,247 |
| Designated endowment | 1,217,156 | 1,105,925 |
| Designated other | <u>2,259,022</u> | <u>2,024,545</u> |
| | 12,107,348 | 12,070,717 |
| With donor restrictions | | |
| Endowment | 1,568,667 | 1,429,315 |
| Purpose restrictions | <u>-</u> | <u>-</u> |
| | <u>1,568,667</u> | <u>1,429,315</u> |
| Total Net Assets | <u>13,676,015</u> | <u>13,500,032</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 13,849,591</u> | <u>\$ 13,693,338</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, 2021 AND 2020

| | 2021 | | | 2020 | | |
|--|-----------------------|----------------------------|----------------------|-----------------------|----------------------------|----------------------|
| | Donor Restrictions | With Donor Restrictions | Total | Donor Restrictions | With Donor Restrictions | Total |
| REVENUE & SUPPORT | | | | | | |
| Service revenue | \$ 1,563,021 | \$ - | \$ 1,563,021 | \$ 1,395,007 | \$ - | \$ 1,395,007 |
| Less: contractual allowances | (644,791) | - | (644,791) | (534,293) | - | (534,293) |
| Net billing revenue | 918,230 | - | 918,230 | 860,714 | - | 860,714 |
| Gifts and grants | 514,279 | 79,118 | 593,397 | 188,625 | 220,799 | 409,424 |
| Fund Drive | 247,367 | - | 247,367 | 284,319 | - | 284,319 |
| Investment income | 310,138 | 110,584 | 420,722 | 319,816 | 140,890 | 460,706 |
| Other income | 976 | - | 976 | 27,038 | - | 27,038 |
| Gain on extinguishment of debt | 184,252 | - | 184,252 | 276,700 | - | 276,700 |
| Fund raising | 3,359 | - | 3,359 | - | - | - |
| Endowment transfer | 50,350 | (50,350) | - | - | - | - |
| Satisfaction of program restriction | - | - | - | 120,592 | (120,592) | - |
| TOTAL REVENUE & SUPPORT | <u>2,228,951</u> | <u>139,352</u> | <u>2,368,303</u> | <u>2,077,804</u> | <u>241,097</u> | <u>2,318,901</u> |
| EXPENSES | | | | | | |
| Program services | 1,977,372 | - | 1,977,372 | 1,560,008 | - | 1,560,008 |
| Management and general | 186,000 | - | 186,000 | 350,004 | - | 350,004 |
| Fund raising | 28,948 | - | 28,948 | 242,398 | - | 242,398 |
| TOTAL EXPENSES | <u>2,192,320</u> | <u>-</u> | <u>2,192,320</u> | <u>2,152,410</u> | <u>-</u> | <u>2,152,410</u> |
| INCREASE (DECREASE) IN NET ASSETS | 36,631 | 139,352 | 175,983 | (74,606) | 241,097 | 166,491 |
| NET ASSETS - Beginning 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> |
| NET ASSETS - End of year | <u>\$ 12,107,348</u> | <u>\$ 1,568,667</u> | <u>\$ 13,676,015</u> | <u>\$ 12,070,717</u> | <u>\$ 1,429,315</u> | <u>\$ 13,500,032</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, 2021 AND 2020

| | 2021 | | | | 2020 | | | |
|----------------------------------|---------------------|-------------------------|------------------|---------------------|---------------------|-------------------------|-------------------|---------------------|
| | Program Services | Management & General | Fund Raising | Total | Program Services | Management & General | Fund Raising | Total |
| FUNCTIONAL EXPENSES | | | | | | | | |
| Salaries and Benefits | | | | | | | | |
| Salaries and wages | \$ 877,142 | \$ - | \$ - | \$ 877,142 | \$ 586,759 | \$ 70,826 | \$ 154,559 | \$ 812,144 |
| Payroll taxes | 71,738 | - | - | 71,738 | 46,819 | 5,651 | 12,332 | 64,802 |
| Employee benefits | 231,102 | - | - | 231,102 | 153,539 | 18,533 | 40,443 | 212,515 |
| Total Salaries and Benefits | 1,179,982 | - | - | 1,179,982 | 787,117 | 95,010 | 207,334 | 1,089,461 |
| Bad debts | - | 109,256 | - | 109,256 | - | 173,925 | - | 173,925 |
| Billing | - | 39,270 | - | 39,270 | - | 43,376 | - | 43,376 |
| Building maintenance and repairs | 43,630 | - | - | 43,630 | 45,908 | - | - | 45,908 |
| Campaign costs | - | - | 7,620 | 7,620 | - | - | 12,094 | 12,094 |
| Consumable equipment | 30,385 | - | - | 30,385 | 13,546 | - | - | 13,546 |
| Depreciation | 414,343 | - | - | 414,343 | 419,181 | - | - | 419,181 |
| Durable equipment | 10,918 | - | - | 10,918 | 16,751 | - | - | 16,751 |
| Fees and dues | 5,395 | - | - | 5,395 | 3,748 | - | - | 3,748 |
| Fuel | 14,157 | - | - | 14,157 | 11,290 | - | - | 11,290 |
| Fundraising | - | - | 21,328 | 21,328 | - | - | 22,970 | 22,970 |
| Installation banquet | 442 | - | - | 442 | 8,517 | - | - | 8,517 |
| Insurance | 68,772 | - | - | 68,772 | 66,140 | - | - | 66,140 |
| Interest | - | 3,198 | - | 3,198 | - | 4,627 | - | 4,627 |
| Meetings and conferences | 676 | - | - | 676 | - | - | - | - |
| Member goodwill and welfare | 22,880 | - | - | 22,880 | 18,129 | - | - | 18,129 |
| Miscellaneous | - | 7,583 | - | 7,583 | - | 4,006 | - | 4,006 |
| Office supplies and expenses | 53,055 | - | - | 53,055 | 47,601 | - | - | 47,601 |
| Professional fees | 8,334 | 26,693 | - | 35,027 | 1,421 | 29,060 | - | 30,481 |
| Training and drills | 42,194 | - | - | 42,194 | 32,715 | - | - | 32,715 |
| Uniforms | 4,721 | - | - | 4,721 | 3,811 | - | - | 3,811 |
| Utilities | 45,176 | - | - | 45,176 | 49,379 | - | - | 49,379 |
| Vehicle maintenance and repairs | 32,312 | - | - | 32,312 | 34,754 | - | - | 34,754 |
| TOTAL FUNCTIONAL EXPENSES | \$ 1,977,372 | \$ 186,000 | \$ 28,948 | \$ 2,192,320 | \$ 1,560,008 | \$ 350,004 | \$ 242,398 | \$ 2,152,410 |

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, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 175,983 | \$ 166,491 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 414,343 | 419,181 |
| Less capital campaign contributions | (79,118) | (220,799) |
| Change in allowance for doubtful accounts | 109,255 | (124,665) |
| Gain on beneficial interest in Community Foundation | (208,648) | (291,331) |
| Gain on investments | (190,295) | (154,102) |
| Changes in operating assets and liabilities | | |
| Decrease (Increase) | | |
| Accounts receivable | (236,145) | 211,571 |
| Government refund receivable | (143,912) | - |
| Other assets | (276,422) | 3,704 |
| (Decrease) Increase | | |
| Accounts payable and accrued expenses | 16,830 | (127,328) |
| NET CASH FLOWS USED BY OPERATING ACTIVITIES | <u>(418,129)</u> | <u>(117,278)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (280,404) | (2,312,100) |
| Proceeds from sale of investments | 584,809 | 1,530,157 |
| Purchase of fixed assets | (41,210) | (652,077) |
| NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES | <u>263,195</u> | <u>(1,434,020)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Collection of capital campaign contributions | 213,591 | 521,304 |
| Repayment - note payable | (36,560) | (35,130) |
| NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES | <u>177,031</u> | <u>486,174</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 22,097 | (1,065,124) |
| CASH AND CASH EQUIVALENTS - Beginning of Year | <u>228,526</u> | <u>1,293,650</u> |
| CASH AND CASH EQUIVALENTS - End of Year | <u>\$ 250,623</u> | <u>\$ 228,526</u> |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | <u>\$ 3,198</u> | <u>\$ 4,627</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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

2 Liquidity

The table below represents financial assets available for general expenditures within one year at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 250,623 | \$ 228,526 |
| Investments | 4,585,181 | 4,490,643 |
| Accounts receivable | 206,247 | 79,357 |
| Pledges receivable | 134,910 | 211,566 |
| Government refund receivable | <u>143,912</u> | <u>-</u> |
| Total financial assets | 5,320,873 | 5,010,092 |
| Less amounts not available to be used within one year: | | |
| Board designated with liquidity horizons greater than one year | 2,259,022 | 2,024,545 |
| Board designated endowment | 1,172,506 | 1,105,925 |
| Donor restricted for endowment | <u>1,568,667</u> | <u>1,429,315</u> |
| Financial assets not available to be used within one year | <u>5,000,195</u> | <u>4,559,785</u> |
| Financial assets available to meet general expenditures within one year | <u>\$ 320,678</u> | <u>\$ 450,307</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, 2021 AND 2020

4 Investments

The following tables set forth by level, within the fair value hierarchy, the Squad's investments as of December 31, 2021 and 2020:

| | Assets at Fair Values as of December 31, 2021 | | | |
|---------------------------|---|-------------|---------------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Beneficial interest in | | | | |
| Community Foundation | \$ - | \$ - | \$ 2,674,728 | \$ 2,674,728 |
| Equities | 1,102,257 | - | - | 1,102,257 |
| Fixed income securities | 755,815 | - | - | 755,815 |
| Cash and cash equivalents | 52,381 | - | - | 52,381 |
| | <u>\$ 1,910,453</u> | <u>\$ -</u> | <u>\$ 2,674,728</u> | <u>\$ 4,585,181</u> |

| | 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> |

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, 2021 and 2020:

| | 2021 | 2020 |
|-----------------------------|---------------------|---------------------|
| Balance - beginning of year | \$ 2,368,263 | \$ 3,263,267 |
| Transfers in | 202,116 | 299,375 |
| Transfers out | (104,299) | (1,485,710) |
| Gain on investment | 208,648 | 291,331 |
| Balance - end of year | <u>\$ 2,674,728</u> | <u>\$ 2,368,263</u> |

Investment income for the years ended December 31, 2021 and 2020 consists of the following:

| | 2021 | 2020 |
|-----------------------------|-------------------|-------------------|
| Gain on beneficial interest | | |
| in Community Foundation | \$ 208,648 | \$ 291,331 |
| Gain on investments | 190,295 | 154,102 |
| Interest and dividends | 33,410 | 18,901 |
| Investment manager fees | (11,631) | (3,628) |
| | <u>\$ 420,722</u> | <u>\$ 460,706</u> |

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 and 2020 was \$2,674,728 and \$2,368,263, respectively.

6 Pledges Receivable

The Squad has pledges receivable as of December 31, 2021 and 2020 amounting to \$134,910 and \$211,566, respectively. Pledges are recorded at their net present value using a discount rate of 4% for the years ended December 31, 2021 and 2020, respectively. Management expects pledges to be collected as follows:

| | |
|---|-------------------|
| 2022 | \$ 129,815 |
| 2023 | <u>21,000</u> |
| | 150,815 |
| Less: provision for uncollectible pledges | (15,000) |
| Less: present value discount | <u>(905)</u> |
| | <u>\$ 134,910</u> |

7 Fixed Assets

Fixed assets consist of the following:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|---------------------|---------------------|
| Land and building | \$ 8,402,975 | \$ 8,446,591 |
| Furniture and equipment | <u>2,588,824</u> | <u>2,561,815</u> |
| | 10,991,799 | 11,008,406 |
| Less: accumulated depreciation | <u>(2,785,658)</u> | <u>(2,371,315)</u> |
| | <u>\$ 8,206,141</u> | <u>\$ 8,637,091</u> |

Depreciation expense was \$414,343 and \$419,181 for the years ended December 31, 2021 and 2020, respectively.

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

8 Government Refund Receivable

The Squad is eligible for the Employee Retention Credit ("ERC") under the CARES Act. The Squad applied for and received \$83,395 in a combination of unpaid employment taxes for the second and third quarters of 2021 and 2021 Form 941 Employer Quarterly Federal Tax Return refund payments for the related quarters. Government refund receivable for the ERC at December 31, 2021 was \$143,912 which represents refunds due for the fourth quarter of 2020 and first quarter of 2021.

9 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:

| | |
|------|------------------|
| 2022 | \$ 38,066 |
| 2023 | <u>22,867</u> |
| | <u>\$ 60,933</u> |

10 Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Building fund | \$ - | \$ - |
| Endowment | <u>1,568,667</u> | <u>1,429,315</u> |
| Total Net Assets with Donor Restrictions | <u>\$ 1,568,667</u> | <u>\$ 1,429,315</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>2021</u> | <u>2020</u> |
|----------------------------------|-------------|-------------------|
| Program Restriction Accomplished | | |
| Building | <u>\$ -</u> | <u>\$ 120,592</u> |

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

11 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.

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 4% endowment spending policy for the year ended December 31, 2021.

The financial activity of the endowment funds for the years ended December 31, 2021 and 2020 is set forth below:

| | <u>December 31, 2021</u> | | |
|---|-----------------------------|-----------------------------|---------------------|
| | <u>Board Designated</u> | <u>Donor Restricted</u> | <u>Total</u> |
| Endowment net assets, beginning of year | \$ 1,105,925 | \$ 1,429,315 | \$ 2,535,240 |
| Investment income | 98,064 | 110,584 | 208,648 |
| Additions | 57,817 | 79,118 | 136,935 |
| Spending allowance | (44,650) | (50,350) | (95,000) |
| Endowment net assets, end of year | <u>\$ 1,217,156</u> | <u>\$ 1,568,667</u> | <u>\$ 2,785,823</u> |
| | <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> |

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

11 Endowment (Continued)

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.

12 Designated Net Assets

Net assets have been designated for the following purposes as of December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|-------------------|---------------------|---------------------|
| Operating reserve | \$ 400,000 | \$ 400,000 |
| Vehicles | 1,629,022 | 1,399,545 |
| Capital | <u>230,000</u> | <u>225,000</u> |
| | <u>\$ 2,259,022</u> | <u>\$ 2,024,545</u> |
| | | |
| Endowment | <u>\$ 1,217,156</u> | <u>\$ 1,105,925</u> |

13 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.

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

13 Gain on Extinguishment of Debt & Paycheck Protection Program Loan (Continued)

The Squad received a \$184,252 loan through the U.S. Small Business Administration's Second Draw Paycheck Protection Program (PPP Round 2) on February 11, 2021. The PPP Round 2 program was authorized as part of the Consolidated Appropriations Act, which was signed into law on December 27, 2020. Small businesses and eligible non-for-profit organizations were encouraged to apply for the PPP Round 2 to help retain their current employees and their salary levels during the COVID-19 pandemic. To be eligible, businesses must have received a PPP Loan; have no more than 300 employees; and demonstrate at least 25% reduction in gross receipts between comparable quarters in 2019 and 2020.

The Squad has determined that both PPP Loans represent, in substance, forgivable government assistance and has analogized International Accounting Standard 20 (IAS 20) to record the PPP Loans 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 years ended December 31, 2021 and 2020. The Squad was notified that their first draw of the PPP loan was forgiven on April 15, 2021, and their second draw of the PPP loan was forgiven on February 10, 2022. Accordingly, management has recognized the impact by reducing the deferred PPP Loan forgiveness liability and recording a gain on extinguishment of debt of \$184,252 and \$276,700 during the years ended December 31, 2021 and 2020, 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 \$3,889 and \$3,762 for the years ended December 31, 2021 and 2020, respectively.

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

| | |
|------|-----------------|
| 2022 | \$ 2,679 |
| 2023 | 2,679 |
| 2024 | 2,679 |
| 2025 | <u>1,563</u> |
| | <u>\$ 9,600</u> |

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

15 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, 2021 and 2020, total pension expense under this plan was approximately \$58,998 and \$56,856, respectively.

16 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.

17 Subsequent Event

The Squad has evaluated all subsequent events through June 7, 2022, the date the financial statements were available to be issued.