

PRINCETON FIRST AID AND RESCUE SQUAD

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REPORT ON AUDIT OF  
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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## INDEPENDENT AUDITOR'S REPORT

June 20, 2023

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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 244,502	\$ 250,623
Investments	4,750,401	4,585,181
Accounts receivable, net of provision for uncollectible accounts of \$243,452 and \$206,247 for the years ended December 31, 2022 and 2021, respectively	132,628	206,247
Pledges receivable, net	264,636	134,910
Government refund receivable	-	143,912
Other assets	43,565	322,577
Fixed assets	<u>8,920,320</u>	<u>8,206,141</u>
 TOTAL ASSETS	 <u>\$ 14,356,052</u>	 <u>\$ 13,849,591</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 132,658	\$ 112,643
Finance lease payable	787,141	-
Note payable	22,901	60,933
Total Liabilities	<u>942,700</u>	<u>173,576</u>
 Net Assets		
Without donor restrictions		
Unrestricted	8,301,407	8,631,170
Designated endowment	1,072,174	1,217,156
Designated other	2,398,201	2,259,022
	<u>11,771,782</u>	<u>12,107,348</u>
With donor restrictions		
Endowment	1,401,570	1,568,667
Purpose restrictions	240,000	-
	<u>1,641,570</u>	<u>1,568,667</u>
Total Net Assets	<u>13,413,352</u>	<u>13,676,015</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 14,356,052</u>	 <u>\$ 13,849,591</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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE &amp; SUPPORT</b>						
Service revenue	\$ 1,648,949	\$ -	\$ 1,648,949	\$ 1,563,021	\$ -	\$ 1,563,021
Less: contractual allowances	(645,156)	-	(645,156)	(644,791)	-	(644,791)
Net billing revenue	1,003,793	-	1,003,793	918,230	-	918,230
Gifts and grants	849,551	360,904	1,210,455	514,279	79,118	593,397
Fund Drive	232,006	-	232,006	247,367	-	247,367
Investment (loss) income	(401,702)	(168,001)	(569,703)	310,138	110,584	420,722
Other income	5,248	-	5,248	976	-	976
Gain on extinguishment of debt	-	-	-	184,252	-	184,252
Gain on disposal of fixed assets	89,083	-	89,083	-	-	-
Fund raising	11,949	-	11,949	3,359	-	3,359
Endowment transfer	-	-	-	50,350	(50,350)	-
Satisfaction of time restriction	120,000	(120,000)	-	-	-	-
<b>TOTAL REVENUE &amp; SUPPORT</b>	<u>1,909,928</u>	<u>72,903</u>	<u>1,982,831</u>	<u>2,228,951</u>	<u>139,352</u>	<u>2,368,303</u>
<b>EXPENSES</b>						
Program services	1,616,853	-	1,616,853	1,696,071	-	1,696,071
Management and general	448,299	-	448,299	316,508	-	316,508
Fund raising	180,342	-	180,342	179,741	-	179,741
<b>TOTAL EXPENSES</b>	<u>2,245,494</u>	<u>-</u>	<u>2,245,494</u>	<u>2,192,320</u>	<u>-</u>	<u>2,192,320</u>
<b>(DECREASE) INCREASE IN NET ASSETS</b>	<b>(335,566)</b>	<b>72,903</b>	<b>(262,663)</b>	<b>36,631</b>	<b>139,352</b>	<b>175,983</b>
<b>NET ASSETS - Beginning of year</b>	<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>
<b>NET ASSETS - End of year</b>	<u>\$ 11,771,782</u>	<u>\$ 1,641,570</u>	<u>\$ 13,413,352</u>	<u>\$ 12,107,348</u>	<u>\$ 1,568,667</u>	<u>\$ 13,676,015</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, 2022 AND 2021

	2022				2021			
	Program Services	Management & General	Fund Raising	Total	Program Services	Management & General	Fund Raising	Total
<b>FUNCTIONAL EXPENSES</b>								
Salaries and Benefits								
Salaries and wages	\$ 601,541	\$ 162,792	\$ 108,985	\$ 873,318	\$ 668,379	\$ 97,142	\$ 111,621	\$ 877,142
Payroll taxes	49,247	15,032	8,922	73,201	54,664	7,945	9,129	71,738
Employee benefits	145,890	46,834	26,432	219,156	175,638	25,421	30,043	231,102
Total Salaries and Benefits	796,678	224,658	144,339	1,165,675	898,681	130,508	150,793	1,179,982
Bad debts	-	112,998	-	112,998	-	109,256	-	109,256
Billing	-	47,546	-	47,546	-	39,270	-	39,270
Building maintenance and repairs	36,948	-	-	36,948	43,630	-	-	43,630
Campaign costs	-	-	6,783	6,783	-	-	7,620	7,620
Consumable equipment	20,052	-	-	20,052	30,385	-	-	30,385
Depreciation	448,246	-	-	448,246	414,343	-	-	414,343
Durable equipment	16,107	-	-	16,107	10,918	-	-	10,918
Fees and dues	5,555	-	-	5,555	5,395	-	-	5,395
Fuel	22,695	-	-	22,695	14,157	-	-	14,157
Fundraising	-	-	29,220	29,220	-	-	21,328	21,328
Installation banquet	2,540	-	-	2,540	442	-	-	442
Insurance	69,978	-	-	69,978	68,772	-	-	68,772
Interest	-	29,467	-	29,467	-	3,198	-	3,198
Meetings and conferences	2,794	-	-	2,794	676	-	-	676
Member goodwill and welfare	19,848	-	-	19,848	22,880	-	-	22,880
Miscellaneous	-	2,946	-	2,946	-	7,583	-	7,583
Office supplies and expenses	48,469	-	-	48,469	53,055	-	-	53,055
Professional fees	5,355	30,684	-	36,039	8,334	26,693	-	35,027
Training and drills	18,436	-	-	18,436	42,194	-	-	42,194
Uniforms	6,141	-	-	6,141	4,721	-	-	4,721
Utilities	42,979	-	-	42,979	45,176	-	-	45,176
Vehicle maintenance and repairs	54,032	-	-	54,032	32,312	-	-	32,312
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,616,853</b>	<b>\$ 448,299</b>	<b>\$ 180,342</b>	<b>\$ 2,245,494</b>	<b>\$ 1,696,071</b>	<b>\$ 316,508</b>	<b>\$ 179,741</b>	<b>\$ 2,192,320</b>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ (262,663)	\$ 175,983
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	448,246	414,343
Less capital campaign contributions	-	(79,118)
Change in allowance for doubtful accounts	37,204	109,255
Gain on beneficial interest in Community Foundation	316,983	(208,648)
Gain on investments	283,137	(190,295)
Gain on sale of fixed assets	(89,083)	-
Changes in operating assets and liabilities		
Decrease (Increase)		
Accounts receivable	36,415	(236,145)
Pledges receivable	(235,726)	-
Government refund receivable	143,912	(143,912)
Other assets	279,012	(276,422)
(Decrease) Increase		
Accounts payable and accrued expenses	20,015	16,830
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>977,452</u>	<u>(418,129)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(897,380)	(280,404)
Proceeds from sale of investments	132,040	584,809
Proceeds from sale of fixed assets	116,250	-
Purchase of fixed assets	(328,058)	(41,210)
<b>NET CASH FLOWS (USED) PROVIDED BY INVESTING ACTIVITIES</b>	<u>(977,148)</u>	<u>263,195</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collection of capital campaign contributions	106,000	213,591
Repayment - finance lease	(74,393)	-
Repayment - note payable	(38,032)	(36,560)
<b>NET CASH FLOWS (USED) PROVIDED BY FINANCING ACTIVITIES</b>	<u>(6,425)</u>	<u>177,031</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(6,121)	22,097
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>250,623</u>	<u>228,526</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>\$ 244,502</u>	<u>\$ 250,623</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 29,467</u>	<u>\$ 3,198</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, 2022 AND 2021

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 \$2,500 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, 2022 AND 2021

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 vehicles, endowment, capital and operating reserve.

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, 2022 AND 2021

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, 2022 AND 2021

2 Liquidity

The table below represents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 244,502	\$ 250,623
Investments	4,750,401	4,585,181
Accounts receivable	132,628	206,247
Pledges receivable	264,636	134,910
Government refund receivable	-	143,912
Total financial assets	<u>5,392,167</u>	<u>5,320,873</u>
Less amounts not available to be used within one year:		
Board designated with liquidity horizons greater than one year	2,398,201	2,259,022
Board designated endowment	1,072,174	1,172,506
Donor restricted for endowment	<u>1,401,570</u>	<u>1,568,667</u>
Financial assets not available to be used within one year	<u>4,871,945</u>	<u>5,000,195</u>
Financial assets available to meet general expenditures within one year	<u>\$ 520,222</u>	<u>\$ 320,678</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 13, 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, 2022 AND 2021

4 Investments

The following tables set forth by level, within the fair value hierarchy, the Squad's investments as of December 31, 2022 and 2021:

	Assets at Fair Values as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Beneficial interest in				
Community Foundation	\$ -	\$ -	\$ 2,467,745	\$ 2,467,745
Equities	870,425	-	-	870,425
Fixed income securities	682,921	-	-	682,921
Cash and cash equivalents	729,310	-	-	729,310
	<u>\$ 2,282,656</u>	<u>\$ -</u>	<u>\$ 2,467,745</u>	<u>\$ 4,750,401</u>

	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>

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, 2022 and 2021:

	2022	2021
Balance - beginning of year	\$ 2,674,728	\$ 2,368,263
Transfers in	110,000	202,116
Transfers out	-	(104,299)
(Loss) gain on investment	(316,983)	208,648
Balance - end of year	<u>\$ 2,467,745</u>	<u>\$ 2,674,728</u>

Investment income for the years ended December 31, 2022 and 2021 consists of the following:

	2022	2021
(Loss) gain on beneficial interest		
in Community Foundation	\$ (316,983)	\$ 208,648
(Loss) gain on investments	(283,137)	190,295
Interest and dividends	41,711	33,410
Investment manager fees	(11,294)	(11,631)
	<u>\$ (569,703)</u>	<u>\$ 420,722</u>

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021 was \$2,467,745 and \$2,674,728, respectively.

6 Pledges Receivable

The Squad has pledges receivable as of December 31, 2022 and 2021 amounting to \$264,636 and \$134,910, respectively. Pledges are recorded at their net present value using a discount rate of 4% for the years ended December 31, 2022 and 2021, respectively. Management expects pledges to be collected as follows:

2023	\$ 164,460
2024	<u>120,000</u>
	284,460
Less: provision for uncollectible pledges	(15,000)
Less: present value discount	<u>(4,824)</u>
	<u>\$ 264,636</u>

7 Fixed Assets

Fixed assets consist of the following:

	<u>2022</u>	<u>2021</u>
Land and building	\$ 8,408,529	\$ 8,402,975
Furniture and equipment	<u>3,307,142</u>	<u>2,588,824</u>
	11,715,671	10,991,799
Less: accumulated depreciation	<u>(2,795,351)</u>	<u>(2,785,658)</u>
	<u>\$ 8,920,320</u>	<u>\$ 8,206,141</u>

Depreciation expense was \$448,246 and \$414,343 for the years ended December 31, 2022 and 2021, respectively.

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

8 Lease Commitments

The Squad is the lessee of a vehicle under a finance lease. The Squad determines whether a contract is a lease at inception. Identified leases are subsequently measured, classified, and recognized at lease commencement. The Squad categorizes leases with contractual terms longer than twelve months as either operating or finance leases. The Squad's leases generally have terms that range from one to ten years. Finance lease right of use assets are included in fixed assets on the statement of financial position. Finance lease liabilities are separately presented on the statement of financial position. Lease assets represent the Squad's right to use an underlying asset for the lease term and lease liabilities represent the Squad's obligation to make lease payments arising from the lease.

Finance lease right of use assets and associated lease liability are recognized based on the present value of future minimum lease payments to be made over the expected lease term, using the collateralized incremental borrowing rate at the commencement date in determining the present value of future payments..

The following schedule presents the maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the finance lease liability as of December 31, 2022:

<u>Year Ending December 31,</u>	<u>Finance</u>
2023	\$ 102,135
2024	102,135
2025	102,135
2026	102,135
2027	102,135
Thereafter	<u>408,543</u>
Total lease payments	919,218
Less imputed interest	<u>(132,077)</u>
Present value of lease liabilities	<u><u>\$ 787,141</u></u>

Weighted average remaining lease term and discount rate for operating leases were as follows:

Weighted Average Remaining Lease Term	
Finance Lease	9.00 years
Weighted Average Discount Rate	
Finance Lease	3.22%

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 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:

2023	\$ <u>22,867</u>
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10 Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Time restricted gift	\$ 240,000	\$ -
Endowment	<u>1,401,570</u>	<u>1,568,667</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,641,570</u>	<u>\$ 1,568,667</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>2022</u>	<u>2021</u>
Time restriction	<u>\$ 120,000</u>	<u>\$ -</u>

11 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. The refund was received during the year ended December 31, 2022.



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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

12 Gain on Extinguishment of Debt & Paycheck Protection Program Loan

The Squad received a \$184,252 loan through the U.S. Small Business Administration's Paycheck Protection Program (PPP Loan) Round 2 draw on February 11, 2021. The PPP Loan 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 Loan 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 the PPP Loan represents, 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 has met the conditions for forgiveness during the year ended December 31, 2021. The Squad was notified that 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 during the year ended December 31, 2021.

13 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.

PRINCETON FIRST AID AND RESCUE SQUAD

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

13 Endowment (Continued)

Annually, the Squad's Board of Trustees may elect an endowment draw of up to 5% of the invested endowment balance. The Board has elected no spending allowance during the year ended December 31, 2022, and a 4% spending allowance during the year ended December 31, 2021.

The financial activity of the endowment funds for the years ended December 31, 2022 and 2021 is set forth below:

	<u>December 31, 2022</u>		
	<u>Board</u>	<u>Donor</u>	<u>Total</u>
	<u>Designated</u>	<u>Restricted</u>	
Endowment net assets, beginning of year	\$ 1,217,156	\$ 1,568,667	\$ 2,785,823
Investment loss	(148,982)	(168,001)	(316,983)
Additions	4,000	904	4,904
Spending allowance	-	-	-
Endowment net assets, end of year	<u>\$ 1,072,174</u>	<u>\$ 1,401,570</u>	<u>\$ 2,473,744</u>
	<u>December 31, 2021</u>		
	<u>Board</u>	<u>Donor</u>	<u>Total</u>
	<u>Designated</u>	<u>Restricted</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>

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, 2022 AND 2021

14 Designated Net Assets

Net assets have been designated for the following purposes as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating reserve	\$ 400,000	\$ 400,000
Vehicles	1,773,201	1,629,022
Capital	<u>225,000</u>	<u>230,000</u>
	<u>\$ 2,398,201</u>	<u>\$ 2,259,022</u>
Endowment	<u>\$ 1,072,174</u>	<u>\$ 1,217,156</u>

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, 2022 and 2021, total pension expense under this plan was approximately \$59,245 and \$58,998, 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 20, 2023, the date the financial statements were available to be issued.