

**MERCER STREET FRIENDS CENTER**

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2021 AND 2020



**SOBEL & CO. LLC**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# **MERCER STREET FRIENDS CENTER**

JUNE 30, 2021 AND 2020

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Mercer Street Friends Center  
Trenton, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mercer Street Friends Center ("Center"), a New Jersey nonprofit organization, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Center's preparation and fair presentation of the financial statements 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 Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercer Street Friends Center as of June 30, 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.

## **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Center as a whole. The accompanying schedules of expenditures of federal awards on page 23 and state awards on page 24 and notes to the schedules on page 25 are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey Office of Management and Budget Circular Letter 15-08, respectively, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Other Reporting Requirements by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



Certified Public Accountants

Livingston, New Jersey  
March 1, 2022



**MERCER STREET FRIENDS CENTER**  
**STATEMENTS OF FINANCIAL POSITION**

	June 30,	
	2021	2020
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,167,168	\$ 1,911,377
Accounts receivable, net of allowance of \$13,626 for 2020 and 2019	195,105	659,420
Investments	2,033,549	-
Notes receivable, current portion	-	23,000
Unbilled services	57,683	36,678
Prepaid expenses and other current assets	883,911	301,471
Total Current Assets	<u>7,337,416</u>	<u>2,931,946</u>
PROPERTY AND EQUIPMENT, NET	763,317	370,001
Beneficial interest in perpetual trust	1,296,552	1,080,365
Security deposit	11,667	11,667
Total Assets	<u>\$ 9,408,952</u>	<u>\$ 4,393,979</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Current portion of notes payable	\$ -	\$ 14,118
Accounts payable	273,614	219,908
Accrued expenses	674,813	422,752
Deferred contract revenue	1,240,359	109,525
Refundable advance	450,000	693,795
Funds held for others	-	14,774
Total Current Liabilities	<u>2,638,786</u>	<u>1,474,872</u>
LONG-TERM DEBT - Notes Payable		
Principal amount	-	543,055
Less: Unamortized debt issuance costs	-	4,718
Notes Payable Less Unamortized Debt Issuance Costs	<u>-</u>	<u>538,337</u>
Total Liabilities	<u>2,638,786</u>	<u>2,013,209</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	3,145,521	(389,602)
With donor restrictions	3,624,645	2,770,372
Total Net Assets	<u>6,770,166</u>	<u>2,380,770</u>
	<u>\$ 9,408,952</u>	<u>\$ 4,393,979</u>

**MERCER STREET FRIENDS CENTER**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 3,377,342	\$ 1,105,657	\$ 4,482,999
Federal support	268,011	-	268,011
State support	5,513,546	-	5,513,546
County support	94,995	-	94,995
Municipal support	1,224,662	-	1,224,662
Local and other income	193,227	-	193,227
Miscellaneous income	811,783	-	811,783
	<u>11,483,566</u>	<u>1,105,657</u>	<u>12,589,223</u>
Net assets released from restrictions	<u>467,571</u>	<u>(467,571)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>11,951,137</u>	<u>638,086</u>	<u>12,589,223</u>
EXPENSES:			
Program services	7,242,779	-	7,242,779
General and administrative	773,193	-	773,193
Fundraising	253,404	-	253,404
Total Expenses	<u>8,269,376</u>	<u>-</u>	<u>8,269,376</u>
CHANGES IN NET ASSETS BEFORE OTHER ITEMS	<u>3,681,761</u>	<u>638,086</u>	<u>4,319,847</u>
OTHER ITEMS:			
Adjustment for furnishings and equipment	(146,638)	-	(146,638)
Change in value of split-interest agreement	-	216,187	216,187
Total Other Items	<u>(146,638)</u>	<u>216,187</u>	<u>69,549</u>
CHANGES IN NET ASSETS	3,535,123	854,273	4,389,396
NET ASSETS - Beginning of year	<u>(389,602)</u>	<u>2,770,372</u>	<u>2,380,770</u>
NET ASSETS - End of year	<u>\$ 3,145,521</u>	<u>\$ 3,624,645</u>	<u>\$ 6,770,166</u>

**MERCER STREET FRIENDS CENTER**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 1,107,550	\$ 1,522,154	\$ 2,629,704
Federal support	503,511	-	503,511
State support	2,132,800	-	2,132,800
County support	232,252	-	232,252
Municipal support	1,248,178	-	1,248,178
Local and other income	168,201	-	168,201
Miscellaneous income	71,393	-	71,393
Rental income	600	-	600
	<u>5,464,485</u>	<u>1,522,154</u>	<u>6,986,639</u>
Net assets released from restrictions	745,135	(745,135)	-
	<u>6,209,620</u>	<u>777,019</u>	<u>6,986,639</u>
Total Revenues, Gains and Other Support			
EXPENSES:			
Program services	4,681,768	-	4,681,768
General and administrative	695,507	-	695,507
Fundraising	277,642	-	277,642
Total Expenses	<u>5,654,917</u>	<u>-</u>	<u>5,654,917</u>
CHANGES IN NET ASSETS BEFORE OTHER ITEMS	<u>554,703</u>	<u>777,019</u>	<u>1,331,722</u>
OTHER ITEMS:			
Loss on sale of asset	(644)	-	(644)
Adjustment for furnishings and equipment	(8,960)	-	(8,960)
Change in value of split-interest agreement	-	(42,792)	(42,792)
Total Other Items	<u>(9,604)</u>	<u>(42,792)</u>	<u>(52,396)</u>
CHANGES IN NET ASSETS	545,099	734,227	1,279,326
NET ASSETS - Beginning of year	<u>(934,701)</u>	<u>2,036,145</u>	<u>1,101,444</u>
NET ASSETS - End of year	<u>\$ (389,602)</u>	<u>\$ 2,770,372</u>	<u>\$ 2,380,770</u>

**MERCER STREET FRIENDS CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Personnel:</b>				
Professional staff	\$ 1,676,138	\$ 186,021	\$ 212	\$ 1,862,371
Clerical staff	41,102	58,199	42,648	141,949
Other salaries	430,740	52,737	-	483,477
Health benefit plan	394,723	8,517	8,410	411,650
Retirement plans	26,566	6,248	964	33,778
Payroll taxes and employee benefits	268,018	(9,578)	4,815	263,255
	<u>2,837,287</u>	<u>302,144</u>	<u>57,049</u>	<u>3,196,480</u>
<b>Expenses:</b>				
Professional fees	250,695	215,521	128,605	594,821
Rent	283,579	-	-	283,579
Utilities	118,502	29,970	660	149,132
Buildings and grounds maintenance	106,651	27,714	-	134,365
Supplies	195,993	74,540	15,578	286,111
Postage and shipping	8	1,214	7,408	8,630
Insurance	37,739	54,020	-	91,759
Depreciation and amortization	64,833	11,594	-	76,427
Printing and reproduction	363	7,314	26,587	34,264
Mileage and vehicle operating expenses	65,990	3,162	17,517	86,669
Conferences	4,711	15	-	4,726
Dues and subscriptions	7,430	1,054	-	8,484
Equipment rental, repairs and maintenance	24,557	3,428	-	27,985
Interest and miscellaneous expenses	21,615	41,503	-	63,118
Food purchases	3,201,751	-	-	3,201,751
Other program expenses	21,075	-	-	21,075
	<u>\$ 7,242,779</u>	<u>\$ 773,193</u>	<u>\$ 253,404</u>	<u>\$ 8,269,376</u>



**MERCER STREET FRIENDS CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
<b>Personnel:</b>				
Professional staff	\$ 1,840,774	\$ 183,705	\$ 23,968	\$ 2,048,447
Clerical staff	33,226	62,281	40,832	136,339
Other salaries	415,067	43,771	-	458,838
Health benefit plan	389,025	36,728	8,405	434,158
Payroll taxes and employee benefits	261,374	34	6,493	267,901
	<u>2,939,466</u>	<u>326,519</u>	<u>79,698</u>	<u>3,345,683</u>
<b>Expenses:</b>				
Professional fees	87,390	88,763	144,164	320,317
Rent	302,641	38,063	-	340,704
Utilities	125,330	40,190	416	165,936
Buildings and grounds maintenance	114,323	27,212	-	141,535
Supplies	89,202	46,284	9,080	144,566
Postage and shipping	398	1,840	7,061	9,299
Insurance	37,536	52,213	-	89,749
Depreciation and amortization	40,904	2,909	-	43,813
Printing and reproduction	10,438	715	15,526	26,679
Mileage and vehicle operating expenses	54,039	13,015	3,775	70,829
Conferences	11,429	1,523	5,331	18,283
Dues and subscriptions	8,311	246	-	8,557
Equipment rental, repairs and maintenance	45,992	18,461	-	64,453
Interest and miscellaneous expenses	9,482	37,554	12,591	59,627
Food purchases	764,301	-	-	764,301
Other program expenses	40,586	-	-	40,586
	<u>\$ 4,681,768</u>	<u>\$ 695,507</u>	<u>\$ 277,642</u>	<u>\$ 5,654,917</u>

## MERCER STREET FRIENDS CENTER

### STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2021	2020
<b>CASH FLOWS PROVIDED BY (USED FOR):</b>		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 4,389,396	\$ 1,279,326
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Loss on sale of property and equipment	-	644
Depreciation and amortization	76,427	43,813
Realized and unrealized gains on investments	(33,549)	-
Noncash interest expense (amortization of debt issuance costs)	4,718	4,816
Deferred revenue	1,130,834	-
Beneficial interest in perpetual trust	(216,187)	42,792
Changes in certain assets and liabilities:		
Accounts receivable	464,315	(296,330)
Unbilled services	(21,005)	(9,568)
Prepaid expenses and other current assets	(582,440)	95,392
Security deposits	-	15,000
Accounts payable	53,706	(196,565)
Accrued expenses	252,061	101,656
Refundable advance	(243,795)	693,795
Funds held for others	(14,774)	-
Net Cash Provided by Operating Activities	5,259,707	1,774,771
<u>INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	(469,743)	(24,583)
Purchases of investments	(2,000,000)	-
Net Cash Used for Investing Activities	(2,469,743)	(24,583)
<u>FINANCING ACTIVITIES:</u>		
Notes receivable	23,000	33,000
Principal payments on notes payable	(557,173)	(13,606)
Net Cash (Used for) Provided by Financing Activities	(534,173)	19,394
<b>NET INCREASE IN</b>		
<b>CASH AND CASH EQUIVALENTS</b>	2,255,791	1,769,582
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	1,911,377	141,795
End of year	\$ 4,167,168	\$ 1,911,377
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Cash paid during the year for interest	\$ 26,414	\$ 25,193

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 1 - NATURE OF ORGANIZATION:**

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Mercer Street Friends Center (“Mercer Street” or “Center”), a nonprofit organization incorporated on July 29, 1966, under the laws of the state of New Jersey, is headquartered in Trenton, New Jersey. It has a mission of bridging opportunity gaps to help families and communities make the journey out of poverty. Programs target educational disparities, food insecurity, parental and family wellness, youth engagement, and community building capacity.

Mercer Street receives revenues from contracts with federal, state, and local governmental agencies, which are subject to annual review and renewal. It also receives substantial revenues from charitable donations and grants from individuals, corporations and private foundations.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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***Basis of Accounting:***

The accompanying financial statements of Mercer Street have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

***Financial Statement Presentation:***

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

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time and other net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

In the absence of donor restrictions, contributions and bequests are considered to be available for unrestricted use. All income is recognized in the period when the contribution, pledge, or unconditional promise to give is received.

The Center records donor-restricted contributions, whose restrictions are met in the same reporting period, as unrestricted support.

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES : (Continued)**

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***Fair Value:***

Fair value measurements are defined as the amount 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. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3:** Valuations based on unobservable inputs when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

The fair value of investments is summarized as follows:

Pooled Investments – ownership interest is based on the allocation of the fair value of the Mercer Street Friends units to the total units of the investment pool. The pools are revalued monthly, and income and gains or losses are allocated to the participants based on their units.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

***Beneficial Interest in Perpetual Trust Held by Others:***

A perpetual trust held by a third-party is an arrangement in which the donor establishes and funds a trust that is administered by an outside third-party. Under the terms of the trust, the Center has the right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The Center reports permanently restricted net assets held by a third-party in a perpetual trust on the Center's financial statements measured using the fair value of the assets contributed to the trust in accordance with accounting principles generally accepted in the United States of America.

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Cash and Cash Equivalents:***

Cash consists of funds maintained in bank accounts. Cash equivalents include short-term, highly liquid money market investments with maturity dates of three months or less on the date of acquisition.

***Accounts Receivable:***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Center charges uncollectible accounts receivable to operations when determined to be uncollectible. The allowance for doubtful accounts has been reviewed by management and, based on current and historical experience, has been determined to be adequate.

***Property and Equipment:***

Property and equipment are recorded at cost or fair value at the date of gift for donated assets. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Replacements, betterments and additions to property and equipment over \$1,000 that extend the useful lives of the assets are capitalized. Costs incurred for maintenance and repairs are charged to expenses as incurred. Upon the retirement of these assets, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is reflected in revenues or expenses for the period.

State funding sources may maintain an equitable interest in various properties purchased with grant monies, as well as the right to determine the use of proceeds from the sale of those assets.

***Compensated Absences:***

Employees are allowed to accumulate earned, but unused, benefit balances up to an annual predetermined maximum at year-end. Accordingly, an accrual for earned but unused benefit balances of \$64,253 and \$102,295 at June 30, 2021 and 2020, respectively, have been included in accrued expenses on the statements of financial position.

***Refundable Advance:***

Refundable advances represent funds received on federal grants, not yet spent. The amounts will be spent next fiscal year.

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Debt Issuance Costs:***

Loan closing costs represent costs incurred to obtain financing. Amortization of these costs is presented on the straight-line method over the remaining term of the debt. Accumulated amortization was \$26,310 and \$10,930 at June 30, 2021 and 2020, respectively. Unamortized debt issuance costs are reported on the statements of financial position as a direct reduction from the carrying amount of the related debt. The Center reflects amortization of debt issuance costs within interest expense. During 2021, all debt was paid off, along with the related debt issuance costs

***Revenue Recognition:***

Revenues received from the federal government, the state of New Jersey, and various counties and municipalities represent grants from the respective entities which are used by Mercer Street to provide program services in accordance with the requirements established by such grantors. Such grants are reported as revenues when expended for current operating purposes. Revenues received under certain cost reimbursement contracts are subject to audit and adjustment. In management's opinion, no provision for audit adjustment is required. Should any adjustments or settlements be required, they are recorded in the year of settlement.

***Contributions:***

The Center adopted the Financial Accounting Standards Board ("FASB") *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, during the year ended June 30, 2020. This guidance is intended to clarify and improve the scope of accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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***Income Taxes:***

Mercer Street is a nonprofit organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law.

The Center follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Center's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Center's policy is to recognize interest and penalties on unrecorded tax benefits in income tax expense. No interest and penalties were recorded during fiscal years 2021 and 2020. At June 30, 2021 and 2020, there are no significant income tax uncertainties.

***Use of Estimates:***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Recent Accounting Pronouncements:***

The FASB issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach is required, and the new standard is applied to all leases existing at the date of initial application. The pronouncement is effective for annual periods beginning after December 15, 2021. It will be effective for the Center for the year ended June 30, 2023. The Center is currently evaluating the effect the new pronouncement will have on its financial statements.

***Subsequent Events:***

The Center has evaluated events subsequent to the statement of financial position date as of June 30, 2021 through March 1, 2022, the date that the financial statements were available to be issued.

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS:**

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Net assets with donor restrictions are available as follows:

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Food Bank	\$ 1,297,187	\$ 605,130
Beneficial interest in perpetual trust	1,296,552	1,080,365
Other	1,030,906	1,084,877
	<u>\$ 3,624,645</u>	<u>\$ 2,770,372</u>

Net assets released from donor restrictions were as follows:

	<b>Year Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Food Bank	\$ -	\$ 433,975
Other	467,571	311,160
	<u>\$ 467,571</u>	<u>\$ 745,135</u>

**NOTE 4 - INVESTMENTS:**

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***Pooled Investments:***

Investments are held in pooled funds invested with the Princeton Area Community Foundation (“PACF”) and Friends Fiduciary Corporation (“FFC”) to benefit from the various diversified strategies that PACF and FFC invests in, including primarily equity investments and fixed income instruments. The purpose of the pooled funds is to generate appreciation while managing risk through diversification.

As a participant in the pooled funds, the Center’s ownership interest is based on the allocation of the fair value of the Center’s units to the total units of the investment pool. The pools are revalued monthly, and income and gains or losses are allocated to the participants based on their units. All investments are measured at fair value in the statements of financial position. Donated investments are recorded at the fair value at the date of receipt. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in unrestricted net assets unless the income or loss is restricted by donor or law.



**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 4 - INVESTMENTS: (Continued)**

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***Pooled Investments:***

Investments held at PACF and FFC consist of the following:

	<b>2021</b>	
	<b>Cost</b>	<b>Fair Value</b>
Equity investment pool	\$ 1,500,000	\$ 1,525,162
Fixed income investment pool	500,000	508,387
	<u>\$ 2,000,000</u>	<u>\$ 2,033,549</u>

There were no such investments at June 30, 2020.

Dividends and interest related to investments held by PACF and FFC amounted to \$52 for the year ended June 30, 2021. Realized gains of \$719 and unrealized gains of \$32,778 were recorded during the year ended June 30, 2021. The total annual return of approximately 29.19% for the year ended June 30, 2021, is based on average market values

***Fair Value Measurement:***

The following table summarizes assets that have been accounted for at fair value on a recurring basis, along with the basis of determination of fair value:

	<b>June 30, 2021</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Pooled investments held by PACF	\$ 1,535,317	\$ -	\$ -	\$ 1,535,317
Pooled investments held by FFC	498,232	-	-	498,232
Beneficial interest in perpetual trust	1,296,552	-	-	1,296,552
	<u>\$ 3,330,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,330,101</u>

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 4 - INVESTMENTS: (Continued)**

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The changes in assets measured at fair value for which Level 3 inputs have been used to determine fair value, are as follows:

	<b>Year Ended June 30, 2021</b>
Balance at June 30, 2020	\$ 1,080,365
Change in beneficial interest in perpetual trust	216,187
Purchases of investments	2,000,000
Interest and dividend income	52
Realized gains	719
Unrealized gains	32,778
Balance at June 30, 2021	<u>\$ 3,330,101</u>

	<b>June 30, 2020</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Beneficial interest in perpetual trust	\$ 1,080,365	\$ -	\$ -	\$ 1,080,365

The changes in assets measured at fair value for which Level 3 inputs have been used to determine fair value, are as follows:

	<b>Year Ended June 30, 2020</b>
Balance at June 30, 2019	\$ 1,123,157
Change in beneficial interest in perpetual trust	(42,792)
Balance at June 30, 2020	<u>\$ 1,080,365</u>

The Center evaluated the transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended June 30, 2021 and 2020, there were no transfers in or out of Levels 1, 2 or 3.

Although the perpetual trust is invested in mutual funds that hold, in large part, publicly traded securities, there is no market available to value the beneficial interest in the perpetual trust and, therefore, that beneficial interest is considered a Level 3 valuation.

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 5 - PROPERTY AND EQUIPMENT:**

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Property and equipment is as follows:

	<b>Estimated Useful Life</b>	<b>June 30,</b>	
		<b>2021</b>	<b>2020</b>
Land		\$ 175,472	\$ 175,472
Buildings	25-40 Years	499,921	499,921
Improvements	4-40 Years	1,294,805	1,284,568
Leasehold improvements	3-15 Years	300,937	51,901
Furniture and fixtures	3-20 Years	664,779	604,206
Computers and accessories	4-5 Years	170,782	161,025
Software	3-5 Years	136,179	102,047
Automobiles and vans	3-5 Years	277,631	171,623
Total Property and Equipment		3,520,506	3,050,763
Less: Accumulated depreciation		2,757,189	2,680,762
Property and Equipment, Net		\$ 763,317	\$ 370,001

Total depreciation and amortization amounted to \$76,427 and \$43,813 in fiscal years 2021 and 2020, respectively.

**NOTE 6 - NOTES PAYABLE:**

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The Center owns a number of real estate properties that are utilized for program and administrative purposes. Except as noted, these notes are collateralized by mortgages on the underlying real estate, until the note is paid in full.

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 6 - NOTES PAYABLE: (Continued)**

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Financing obtained in conjunction with the acquisition and renovation of the aforementioned properties is summarized as follows:

	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Bank note payable, net of unamortized debt issuance costs of \$4,718 and \$9,534, at June 30, 2021 and 2020, respectively, due in monthly installments of \$2,296 at an interest rate of 6.50%, and was paid in full in February 2021. The loan was collateralized by substantially all assets of the Center.	\$ -	\$ 315,163
Noninterest-bearing note payable, to a former trustee, which was paid off in March 2021.	-	200,000
Bank note payable, due in monthly installments of \$880 at an interest rate of 9.90%, which was paid in full in November 2020. The loan was acquired to finance a vehicle that was acquired in 2020.	-	37,292
Total Notes Payable	-	552,455
Less: Current portion	-	14,118
Total Long-term Debt, Net of current portion	\$ -	\$ 538,337

The Center reflects amortization of debt issuance costs as interest expense in accordance with generally accepted accounting principles.

Interest expense totaled \$26,414 and \$25,193 for the years ended June 30, 2021 and 2020, respectively.

**NOTE 7 - REFUNDABLE ADVANCE:**

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The Center obtained a Paycheck Protection Program (“PPP”) loan of \$693,795 in April 2020. The loan is to provide the Center with working capital for the purpose of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey. Paycheck Protection Program loans may be forgiven in part or in whole if the borrower maintains its employee count, as well as salary levels, during a specified period.

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 7 - REFUNDABLE ADVANCE: (Continued)**

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The Center recorded the \$693,795 received as a conditional government grant and recognized revenue as expenses were incurred, which satisfied the conditions set forth by the U.S. Small Business Administration. As of June 30, 2021, all amounts received under the PPP loan were expended and recognized as government contributions on the statements of activities and changes in net assets. The Center received forgiveness of \$693,795 from the Small Business Administration on April 30, 2021. This revenue is reflected within miscellaneous income on the accompanying statements of activities and changes in net assets.

**NOTE 8 - LEASES:**

---

The Center leases space for use in its programs under an operating lease, which expires in April 2024. Additionally, the lease requires the Center to pay certain expenses.

Future minimum lease payments, at June 30, 2021, are as follows:

<u>Year</u>	
2023	\$ 284,408
2024	<u>310,927</u>
	<u>\$ 595,335</u>

Total rent expense, including rent-free use of space, was \$283,579 and \$340,704 in fiscal years 2021 and 2020, respectively.

The Center prepaid \$450,000 on one of the leases, which is reflected in prepaid expenses and other current assets in the statement of financial position at June 30, 2021.

**NOTE 9 - PROGRAM SERVICES:**

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The program expenses for the Center are as follows:

	<b>Year Ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Day care - Children	\$ 1,202,933	\$ 1,245,618
Adult services	989,730	1,214,055
Food services	4,579,113	1,616,793
Youth services	469,063	589,682
Other	1,940	15,620
	<u>\$ 7,242,779</u>	<u>\$ 4,681,768</u>

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 10 - RETIREMENT PLAN:**

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Mercer Street maintains a retirement plan (“Plan”) for the benefit of eligible employees, whereby employees may elect to contribute to the Plan. The employee contributions range from 1% to 6% of eligible compensation. The employees may elect to contribute an additional amount up to the limit allowed by law. The Center may match an amount equal to 100% of the employees’ contributions. For the year ended June 30, 2021, a matching contribution of \$33,777 was made. No matching contribution was made for the year ended June 30, 2020.

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**NOTE 11 - TAXES:**

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The Internal Revenue Service has determined that Mercer Street is exempt from income tax, with the exception of certain unrelated business income. The unrelated business income consisted of debt-financed rental income. Mercer Street had losses in the past from this activity. At June 30, 2021 and 2020, Mercer Street has available a net operating loss carryforward of approximately \$229,000 to offset future unrelated business income. The carryforwards will expire in 2021 through 2034.

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**NOTE 12 - DONATED MATERIALS AND SERVICES:**

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Many individuals volunteer their time in the furtherance of the Center’s mission. During fiscal year 2021, the Center received approximately 2,300 volunteer hours, and also received approximately 6,000,000 pounds of food and grocery products for the food bank. Approximately 51% was donated and the other 49% was acquired at a shared cost or purchased from food brokers. During fiscal year 2020, the Center received approximately 5,200 volunteer hours and also received approximately 5,600,000 pounds of food and grocery products for the food bank. Approximately 79% was donated and the other 21% was acquired at a shared cost or purchased from food brokers.

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 13 - CONCENTRATIONS OF RISK:**

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Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The Center considers money market funds to be cash equivalents. At times, such investments may exceed federally insured limits. Concentrations of credit risk with respect to receivables are limited due to the large number of customers comprising the Center's customer base; customers are preapproved for service, and services are generally covered by third-party guarantors, which have short payment terms. In addition, the Center routinely assesses the financial strength of its customers and, on a periodic basis, evaluates its accounts receivable and establishes an allowance for doubtful accounts based on a history of past write-offs and collections, and current credit conditions.

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**NOTE 14 - COMMITMENTS AND CONTINGENCIES:**

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The Center is involved with certain claims, including equal opportunity employment issues, and other routine litigation matters in the normal course of operations. The Center maintains various insurance coverages to protect against litigation and other claims. In the opinion of management, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on the Center's financial position or results of operations.

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**NOTE 15 - FUNDS HELD FOR OTHERS:**

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Mercer Street acts as a fiscal agent for an organization, managing the administrative and financial reporting aspects of their business activities. At June 30, 2020, Mercer Street was holding operating funds of \$14,774 which was reported on the statements of financial position. This amount was released to the Center in 2021.

**MERCER STREET FRIENDS CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**NOTE 16 - LIQUIDITY AND AVAILABILITY:**

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The following represents the Center's financial assets at June 30, 2021, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 4,167,168	\$ 1,911,377
Accounts receivable, net of allowance	195,105	659,420
Investments	2,033,549	-
Notes receivable, current portion	-	23,000
Unbilled services	57,683	36,678
Total financial assets	<u>6,453,505</u>	<u>2,630,475</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(2,328,093)</u>	<u>(1,690,009)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 4,125,412</u>	<u>\$ 940,466</u>

The Center's goal is generally to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. A significant portion of the Center's annual expenses are funded by operating revenues generated throughout the year. The Center strives to keep a minimum balance of cash on hand to meet the ongoing financial obligations.

**NOTE 17 - FUNCTIONAL EXPENSES:**

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The financial statements contain certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, utilities, all costs associated with property, interest and depreciation which are based on square footage. Salaries and related costs are allocated based upon approximate time worked in area. All other categories are allocated based on direct costs.

**NOTE 18 - RISKS AND UNCERTAINTIES:**

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The Center is actively monitoring the recent COVID-19 outbreak and its potential impact on its employees, volunteers, donors, and operations. It is not known at this time how much effect the virus will have on operations and/or financial results. The potential impact of COVID-19 is not foreseeable due to various uncertainties, including the severity of the disease, the duration of the outbreak, and actions that may be taken by governmental authorities.



**MERCER STREET FRIENDS CENTER**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Grant ID Number	Expenditures
U.S. DEPARTMENT OF EDUCATION	84.215	U215J150100	\$ 250,511
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Agriculture:			
Food Distribution Cluster:			
NJ Cares II	10.568	N/A	1,464,869
NJ Cares III	10.568	N/A	550,000
NJ Cares IV	10.568	N/A	2,200,000
NJ Cares V	10.568	N/A	191,136
The Emergency and Food Assistance Program (TEFAP)	10.568	N/A	31,112
Division of Food and Nutrition	10.569	N/A	206,520
Total Food Distribution Cluster			<u>4,643,637</u>
Trade Mitigation Program (TMP)	10.178	N/A	36,528
Child and Adult Care Food Program	10.558	21-001	10,476
Summer Food Service	10.558	11-3803	28,263
FEMA	97.024	N/A	17,500
Total U.S. Department of Agriculture			<u>4,736,404</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
ADMINISTRATION FOR CHILDREN AND FAMILIES			
Passed through:			
477 Cluster:			
New Jersey Division of Youth and Family Services:			
Healthy Families - TIP	93.558	20APLC	434,763
New Jersey Department of Labor and Workforce Development:			
Mercer County Workfirst Program	93.558	2018-294	94,995
Total 477 Cluster			<u>529,758</u>
New Jersey Division of Youth and Family Services:			
Family Support and Reunification	93.556	20APLC	75,085
Parents as Teachers Program	93.505	20APLC	189,352
Community Food Bank of New Jersey	10.557	N/A	18,264
Children's Futures	93.926	N/A	74,785
Total U.S. Department of Health and Human Services			<u>887,244</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Passed through from:			
New Jersey Department of State			
TCNJ AmeriCorps	94.006	F2020-4	435
<b>Total Federal Awards</b>			<u>\$ 5,874,594</u>

**MERCER STREET FRIENDS CENTER**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Expenditures
NEW JERSEY DEPARTMENT OF EDUCATION		
Passed through from:		
Trenton Board of Education	N/A	\$ 1,199,675
Trenton Board of Education (Community School)	N/A	24,987
NEW JERSEY DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT		
Passed through from:		
Mercer County College - Adult Basic Skills Education Program	N/A	54,056
Office of Faith Based Initiative	N/A	3,517
Office of Faith Based Initiative (Special Projects)	N/A	6,500
State of New Jersey, Department of Agriculture Community Food Bank of New Jersey		14,386
State of New Jersey Department of Health	EX-DCHS20HDP014	31,039
<b>Total State Awards</b>		<b>\$ 1,334,160</b>

**MERCER STREET FRIENDS CENTER**  
**NOTES TO SCHEDULES OF EXPENDITURES**  
**OF FEDERAL AND STATE AWARDS**  
**JUNE 30, 2021**

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**NOTE 1 - BASIS OF PRESENTATION:**

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The accompanying schedules of expenditures of federal and state awards include the federal and state activity of Mercer Street Center and are presented on the accrual basis of accounting. The information in the schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

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**NOTE 2 - SUBRECIPIENTS:**

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During the year ended June 30, 2021, the Center did not provide any funds relating to their federal and state programs to subrecipients.

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**NOTE 3 - INDIRECT COSTS:**

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The Center did not elect to use the de minimis cost rate when allocating indirect costs to federal and state programs.

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**NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:**

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As of June 30, 2021, the Center did not have any federal or state loan or loan guarantee programs.

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Mercer Street Friends Center  
Trenton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Mercer Street Friends Center ("Mercer Street" or "Center"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2022.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of the Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Livingston, New Jersey  
March 1, 2022

Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08**

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To the Board of Trustees  
Mercer Street Friends Center  
Trenton, New Jersey

### **Report on Compliance for Each Major Program**

We have audited Mercer Street Friends Center's ("Mercer Street" or "Center") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* and the New Jersey Office of Management and Budget ("NJOMB") Circular Letter 15-08 that could have a direct and material effect on each of the Center's major programs for the year ended June 30, 2021. The Center's major programs are identified in the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of federal and state statutes, regulations and the terms and conditions of its federal and state awards applicable to its federal and state programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Center's major programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and NJOMB Circular Letter 15-08. Those standards and the Uniform Guidance and NJOMB Circular Letter 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does not provide a legal determination of the Center's compliance.

### **Opinion on Each Major Program**

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

Management of the Center is responsible for establishing and maintaining effective internal control over the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB Circular Letter 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a major program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control and compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a major program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal, state or county program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJOMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.

*Sobel & Co. LLC*

Certified Public Accountants

Livingston, New Jersey  
March 1, 2022

**MERCER STREET FRIENDS CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**I. Summary of Auditors' Results**

**Financial Statements**

The auditors' report issued on the basic financial statements of Mercer Street Friends Center was an unmodified opinion.

Internal control over financial reporting:

- Material weaknesses identified?                           Yes                      X   No
- Significant deficiencies identified?                       Yes                      X   No

Noncompliance material to financial statements noted?                           Yes                      X   No

**Federal and State Financial Awards**

Internal control over the major programs:

- Material weaknesses identified?                           Yes                      X   No
- Significant deficiencies identified?                       Yes                      X   No

Type of auditors' report issued on compliance for the major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and NJOMB Circular Letter 15-08?                           Yes                      X   No



**MERCER STREET FRIENDS CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**I. Summary of Auditors' Results (Continued)**

The following federal and state programs were designated as major programs:

**CFDA Number    Grant Number    Name of Federal and State Program or Cluster**

Federal:

477 Cluster:

93.558	20APLC	U.S. Department of Health and Human Services Administration for Children and Families, Passed through State of New Jersey Division of Youth and Family Services, Healthy Families – TIP
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93.558	2018-294	U.S. Department of Health and Human Services Administration for Children and Families, Passed through State of New Jersey Department of Labor and Workforce Development, Mercer County Workfirst Program
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Food Distribution Cluster:

10.568	N/A	U.S. Department of Agriculture, NJ Cares
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10.568	N/A	U.S. Department of Agriculture, The Emergency and Food Assistance Program
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10.569	N/A	U.S. Department of Agriculture, Division of Food and Nutrition
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State:

N/A	State of New Jersey, Department of Education, Trenton Board of Education
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**MERCER STREET FRIENDS CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**II. Summary of Auditors' Results**

**Federal and State Financial Awards**

Dollar threshold used to distinguish between  
Type A and Type B programs: \$ 750,000

Mercer Street Friends Center qualified as a high-risk auditee.

**III. Financial Statement Findings**

NONE

**IV. Compliance Findings**

NONE

**V. Prior Audit Findings**

NONE