

**MERCER STREET FRIENDS CENTER
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2022 AND 2021**



SobelCo
Certified Public Accountants & Advisors

MERCER STREET FRIENDS CENTER

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state awards, shown on pages 22 and 23, 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, are presented for purposes of additional analysis 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 schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, 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, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Center's 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
January 25, 2023

MERCER STREET FRIENDS CENTER
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 4,504,860	\$ 4,167,168
Accounts receivable, net of allowance of \$13,626 for 2022 and 2021	68,220	195,105
Investments	1,782,704	2,033,549
Unbilled services	80,499	57,683
Prepaid expenses and other current assets	852,001	883,911
Total Current Assets	7,288,284	7,337,416
PROPERTY AND EQUIPMENT, NET	926,875	763,317
Beneficial interest in perpetual trust	1,072,940	1,296,552
Security deposit	11,667	11,667
Total Assets	\$ 9,299,766	\$ 9,408,952
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 362,283	\$ 273,614
Accrued expenses	558,271	674,813
Deferred contract revenue	1,237,990	1,240,359
Refundable advance	-	450,000
Total Liabilities	2,158,544	2,638,786
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Without donor restrictions	3,672,910	3,145,521
With donor restrictions	3,468,312	3,624,645
Total Net Assets	7,141,222	6,770,166
	\$ 9,299,766	\$ 9,408,952

MERCER STREET FRIENDS CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contributions	\$ 2,053,994	\$ 765,765	\$ 2,819,759
Federal support	219,746	-	219,746
State support	5,079,486	-	5,079,486
Municipal support	1,280,034	-	1,280,034
Local and other income	4,000	-	4,000
Investment income	65,064	-	65,064
Miscellaneous income	7,799	-	7,799
	8,710,123	765,765	9,475,888
Net assets released from restrictions	698,486	(698,486)	-
Total Revenues, Gains and Other Support	9,408,609	67,279	9,475,888
EXPENSES:			
Program services	7,176,323	-	7,176,323
General and administrative	1,038,483	-	1,038,483
Fundraising	263,135	-	263,135
Total Expenses	8,477,941	-	8,477,941
CHANGES IN NET ASSETS BEFORE OTHER ITEMS	930,668	67,279	997,947
OTHER ITEMS:			
Adjustment for furnishings and equipment	(167,828)	-	(167,828)
Unrealized loss on investments	(235,451)	-	(235,451)
Change in value of split-interest agreement	-	(223,612)	(223,612)
Total Other Items	(403,279)	(223,612)	(626,891)
CHANGES IN NET ASSETS	527,389	(156,333)	371,056
NET ASSETS - Beginning of year	3,145,521	3,624,645	6,770,166
NET ASSETS - End of year	\$ 3,672,910	\$ 3,468,312	\$ 7,141,222

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
	11,483,566	1,105,657	12,589,223
Net assets released from restrictions	467,571	(467,571)	-
Total Revenues, Gains and Other Support	11,951,137	638,086	12,589,223
EXPENSES:			
Program services	7,242,779	-	7,242,779
General and administrative	773,193	-	773,193
Fundraising	253,404	-	253,404
Total Expenses	8,269,376	-	8,269,376
CHANGES IN NET ASSETS BEFORE OTHER ITEMS	3,681,761	638,086	4,319,847
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	(146,638)	216,187	69,549
CHANGES IN NET ASSETS	3,535,123	854,273	4,389,396
NET ASSETS - Beginning of year	(389,602)	2,770,372	2,380,770
NET ASSETS - End of year	\$ 3,145,521	\$ 3,624,645	\$ 6,770,166

MERCER STREET FRIENDS CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	General and Administrative	Fundraising	Total
Personnel:				
Professional staff	\$ 2,621,227	\$ 328,281	\$ 65,354	\$ 3,014,862
Health benefit plan	338,796	64,907	8,992	412,695
Retirement plans	24,217	8,332	1,082	33,631
Payroll taxes and employee benefits	279,725	67,803	6,595	354,123
	<u>3,263,965</u>	<u>469,323</u>	<u>82,023</u>	<u>3,815,311</u>
Expenses:				
Professional fees	126,444	287,990	140,383	554,817
Rent	373,756	-	-	373,756
Utilities	115,625	23,048	276	138,949
Buildings and grounds maintenance	178,572	34,062	-	212,634
Supplies	238,651	78,661	6,476	323,788
Postage and shipping	261	876	1,686	2,823
Insurance	45,576	65,274	-	110,850
Depreciation and amortization	78,974	16,928	-	95,902
Printing and reproduction	-	164	8,746	8,910
Mileage and vehicle operating expenses	68,639	997	6	69,642
Conferences	12,928	735	-	13,663
Dues and subscriptions	10,441	1,943	-	12,384
Equipment rental, repairs and maintenance	246,136	8,457	-	254,593
Interest and miscellaneous expenses	25,800	46,360	23,539	95,699
Food purchases	2,352,826	-	-	2,352,826
Other program expenses	37,729	3,665	-	41,394
	<u>\$ 7,176,323</u>	<u>\$ 1,038,483</u>	<u>\$ 263,135</u>	<u>\$ 8,477,941</u>

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

	Program Services	General and Administrative	Fundraising	Total
Personnel:				
Professional staff	\$ 2,147,980	\$ 296,957	\$ 42,860	\$ 2,487,797
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>
Expenses:				
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
STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2022	2021
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 371,056	\$ 4,389,396
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	95,902	76,427
Realized and unrealized losses (gains) on investments	235,451	(33,549)
Noncash interest expense (amortization of debt issuance costs)	-	4,718
Deferred revenue	(2,369)	1,130,834
Beneficial interest in perpetual trust	223,612	(216,187)
Changes in certain assets and liabilities:		
Accounts receivable	126,885	464,315
Unbilled services	(22,816)	(21,005)
Prepaid expenses and other current assets	31,910	(582,440)
Accounts payable	88,669	53,706
Accrued expenses	(116,542)	252,061
Refundable advance	(450,000)	(243,795)
Funds held for others	-	(14,774)
Net Cash Provided by Operating Activities	<u>581,758</u>	<u>5,259,707</u>
<u>INVESTING ACTIVITIES:</u>		
Purchases of property and equipment	(259,460)	(469,743)
Purchases of investments	-	(2,000,000)
Proceeds from sale of investments	15,394	-
Net Cash Used for Investing Activities	<u>(244,066)</u>	<u>(2,469,743)</u>
<u>FINANCING ACTIVITIES:</u>		
Notes receivable	-	23,000
Principal payments on notes payable	-	(557,173)
Net Cash (Used for) Provided by Financing Activities	<u>-</u>	<u>(534,173)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	337,692	2,255,791
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>4,167,168</u>	<u>1,911,377</u>
End of year	<u>\$ 4,504,860</u>	<u>\$ 4,167,168</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for interest	<u>\$ 7,353</u>	<u>\$ 26,414</u>

MERCER STREET FRIENDS CENTER

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2022	2021
CASH FLOWS PROVIDED BY (USED FOR):		
<u>OPERATING ACTIVITIES:</u>		
Changes in net assets	\$ 371,056	\$ 4,389,396
Adjustments to reconcile changes in net assets to		
net cash provided by (used for) operating activities:		
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NET INCREASE IN		
CASH AND CASH EQUIVALENTS	337,692	2,255,791
CASH AND CASH EQUIVALENTS:		
Beginning of year	4,167,168	1,911,377
End of year	\$ 4,504,860	\$ 4,167,168
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the year for interest	\$ 7,353	\$ 26,414

MERCER STREET FRIENDS CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ORGANIZATION:

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:

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, 2022 AND 2021

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

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, 2022 AND 2021

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

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 \$5,000 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 \$64,020 and \$64,253 at June 30, 2022 and 2021, 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, 2022 AND 2021

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

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:

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.

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 2022 and 2021. At June 30, 2022 and 2021, 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.

MERCER STREET FRIENDS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

Recent Accounting Pronouncements:

The Financial Accounting Standards Board issued an accounting pronouncement, *Leases*, which requires lessees to recognize a right-of-use asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Under this new pronouncement, a modified retrospective transition approach or a cumulative-effect adjustment transition approach may be used, and the new standard is applied to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date, or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. The standard is effective for annual periods beginning after December 15, 2021. The Organization is currently evaluating the effect the new standard will have on the financial statements.

Subsequent Events:

The Center has evaluated events subsequent to the statement of financial position date as of June 30, 2022 through January 25, 2023, the date that the financial statements were available to be issued.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are available as follows:

	June 30,	
	2022	2021
Food Bank	\$ 1,295,631	\$ 1,297,187
Beneficial interest in perpetual trust	1,072,940	1,296,552
Other	1,099,741	1,030,906
	<u>\$ 3,468,312</u>	<u>\$ 3,624,645</u>

Net assets released from donor restrictions were as follows:

	Year Ended June 30,	
	2022	2021
Food Bank	\$ 546,608	\$ -
Other	151,878	467,571
	<u>\$ 698,486</u>	<u>\$ 467,571</u>

MERCER STREET FRIENDS CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 4 - INVESTMENTS:

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.

Investments held at PACF and FFC consist of the following:

		2022	
		Cost	Fair Value
Equity investment pool		\$ 1,500,000	\$ 1,353,484
Fixed income investment pool		500,000	429,220
		<u>\$ 2,000,000</u>	<u>\$ 1,782,704</u>

		2021	
		Cost	Fair Value
Equity investment pool		\$ 1,500,000	\$ 1,535,317
Fixed income investment pool		500,000	498,232
		<u>\$ 2,000,000</u>	<u>\$ 2,033,549</u>

Dividends and interest related to investments held by PACF and FFC amounted to \$46,272 and \$52 for the years ended June 30, 2022 and 2021, respectively. Realized gains of \$18,792 and \$719 and unrealized losses of \$235,451 and gains of \$32,778 were recorded during the years ended June 30, 2022 and 2021, respectively. The total annual return of approximately (12%) and 29% for the years ended June 30, 2022 and 2021, is based on average market values

MERCER STREET FRIENDS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 - INVESTMENTS: (Continued)

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:

June 30, 2022				
	Total	Level 1	Level 2	Level 3
Pooled investments held by PACF	\$ 1,353,484	\$ -	\$ -	\$ 1,353,484
Pooled investments held by FFC	429,220	-	-	429,220
Beneficial interest in perpetual trust	1,072,940	-	-	1,072,940
	<u>\$ 2,855,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,855,644</u>
June 30, 2021				
	Total	Level 1	Level 2	Level 3
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>

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

	Year Ended June 30, 2022
Balance at June 30, 2021	\$ 3,330,101
Change in beneficial interest in perpetual trust	(223,612)
Purchases of investments	-
Interest and dividend income	35,249
Investment fees	(10,224)
Realized gains	48,607
Unrealized gains	(324,477)
Balance at June 30, 2022	<u>\$ 2,855,644</u>

MERCER STREET FRIENDS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 - INVESTMENTS: (Continued)

Fair Value Measurement: (Continued)

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

	Year Ended June 30, 2021
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>

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, 2022 and 2021, 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.

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment is as follows:

	Estimated Useful Life	June 30, 2022	2021
Land		\$ 175,472	\$ 175,472
Buildings	25-40 Years	499,921	499,921
Improvements	4-40 Years	1,349,555	1,294,805
Leasehold improvements	3-15 Years	315,789	300,937
Furniture and fixtures	3-20 Years	693,865	664,779
Computers and accessories	4-5 Years	170,796	170,782
Software	3-5 Years	151,047	136,179
Automobiles and vans	3-5 Years	423,521	277,631
Total Property and Equipment		3,779,966	3,520,506
Less: Accumulated depreciation		2,853,091	2,757,189
Property and Equipment, Net		<u>\$ 926,875</u>	<u>\$ 763,317</u>

Total depreciation and amortization amounted to \$95,902 and \$76,427 in fiscal years 2022 and 2021, respectively.

MERCER STREET FRIENDS CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 6 - REFUNDABLE ADVANCE:

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.

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 7 - 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, 2022, are as follows:

<u>Year</u>	
2023	\$ 58,988
2024	315,027
	<u>\$ 374,015</u>

Total rent expense, including rent-free use of space, was \$373,756 and \$283,579 in fiscal years 2022 and 2021, respectively.

The Center prepaid \$450,000 on one of the leases during 2021, of which \$319,044 and \$450,000 is reflected in prepaid expenses and other current assets in the statements of financial position at June 30, 2022 and 2021, respectively.

MERCER STREET FRIENDS CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

NOTE 8 - PROGRAM SERVICES:

The program expenses for the Center are as follows:

	Year Ended June 30,	
	2022	2021
Day care - Children	\$ 1,382,190	\$ 1,202,933
Adult services	933,027	989,730
Food services	3,964,695	4,579,113
Youth services	896,411	469,063
Other	-	1,940
	<u>\$ 7,176,323</u>	<u>\$ 7,242,779</u>

NOTE 9 - RETIREMENT PLAN:

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. Matching contributions of \$33,631 and \$33,777 were made for the years ending June 30, 2022 and 2021.

NOTE 10 - TAXES:

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, 2022 and 2021, Mercer Street has available a net operating loss carryforward of approximately \$229,000 to offset future unrelated business income. The carryforwards will expire in 2022 through 2034.

NOTE 11 - DONATED MATERIALS AND SERVICES:

Many individuals volunteer their time in the furtherance of the Center's mission. During fiscal year 2022, the Center received approximately 4,500 volunteer hours, and also received approximately 6,000,000 pounds of food and grocery products for the food bank. Approximately 50% was donated and the other 50% was acquired at a shared cost or purchased from food brokers. 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.

MERCER STREET FRIENDS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 12 - CONCENTRATIONS OF RISK:

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.

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

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.

NOTE 14 - LIQUIDITY AND AVAILABILITY:

The following represents the Center's financial assets at June 30, 2022, 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.

	2022	2021
Cash and cash equivalents	\$ 4,504,860	\$ 4,167,168
Accounts receivable, net of allowance	68,220	195,105
Unbilled services	80,499	57,683
Total financial assets	4,653,579	4,419,956
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(2,395,375)	(2,328,093)
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,258,204</u>	<u>\$ 2,091,863</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.

MERCER STREET FRIENDS CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 15 - FUNCTIONAL EXPENSES:

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 16 - RISKS AND UNCERTAINTIES:

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, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	Federal AL Number	Grant ID Number	Expenditures
U.S. DEPARTMENT OF EDUCATION	84.215	U215J150100	\$ 177,246
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Agriculture:			
Food Distribution Cluster:			
NJ Cares II	10.568	N/A	450,000
NJ Cares V	10.568	N/A	908,864
NJ Cares VI	10.568	N/A	2,200,000
NJ Cares VII	10.568	N/A	120,833
The Emergency and Food Assistance Program (TEFAP)	10.568	N/A	91,361
Division of Food and Nutrition	10.569	N/A	277,570
Total Food Distribution Cluster			4,048,628
Child and Adult Care Food Program	10.558	21-001	55,674
Summer Food Service	10.559	21200025	24,573
FEMA	97.024	N/A	42,500
Total U.S. Department of Agriculture			4,171,375
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
ADMINISTRATION FOR CHILDREN AND FAMILIES			
Passed through:			
New Jersey Division of Youth and Family Services:			
New Jersey Home Visiting Initiative	93.870	22APLC	40,627
COVID ARP Home Visiting	93.870	22APLC	18,546
Total Visiting Home Initiative			59,173
Healthy Families - TIP	93.558	22APLC	417,183
Healthy Families America	93.558	22APLC	31,716
Total Healthy Families			448,899
Family Support and Reunification	93.556	22APLC	75,085
Parents as Teachers Program	93.505	22APLC	189,352
Community Food Bank of New Jersey	10.557	N/A	56,599
Children's Futures	93.926	N/A	66,814
Total U.S. Department of Health and Human Services			895,922
Total Federal Awards			\$ 5,244,543

MERCER STREET FRIENDS CENTER
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	Federal AL Number	Expenditures
NEW JERSEY DEPARTMENT OF EDUCATION		
Passed through from:		
Trenton Board of Education	N/A	\$ 1,280,034
NEW JERSEY DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT		
Passed through from:		
Mercer County College - Adult Basic Skills Education Program	N/A	40,000
Office of Faith Based Initiative	N/A	<u>16,156</u>
Total State Awards		<u>\$ 1,336,190</u>

MERCER STREET FRIENDS CENTER**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2022**

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedules of expenditures of federal and state awards include the federal and state activity of Mercer Street Center ("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.

NOTE 2 - SUBRECIPIENTS:

During the year ended June 30, 2022, the Center did not provide any funds relating to their federal and state programs to subrecipients.

NOTE 3 - INDIRECT COSTS:

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

NOTE 4 - LOAN AND LOAN GUARANTEE PROGRAMS:

As of June 30, 2022, 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 ("Center"), which comprise the statement of financial position as of June 30, 2022, 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 January 25, 2023.

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.



Certified Public Accountants

Livingston, New Jersey
January 25, 2023

**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**

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

Report on Compliance for Each Major Federal and State Program***Opinion on Compliance for Each Major Federal and State Program***

We have audited Mercer Street Friends Center's ("Center") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *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 major federal and state program for the year ended June 30, 2022.

In our opinion, Mercer Street Friends Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each major federal and state program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal and State Program

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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* ("Uniform Guidance") and NJOMB Circular Letter 15-08. Our responsibilities under those standards and the Uniform Guidance and NJOMB Circular Letter 15-08 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mercer Street Friends Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Mercer Street Friends Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to each major federal and state program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mercer Street Friends Center's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance and NJOMB Circular Letter 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Mercer Street Friends Center's compliance with the requirements of the federal or state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and NJOMB Circular Letter 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Mercer Street Friends Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mercer Street Friends Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Mercer Street Friends Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 federal or state programs on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 or state programs 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 Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Certified Public Accountants

Livingston, New Jersey
January 25, 2023

MERCER STREET FRIENDS CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

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? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiencies identified? | <u> </u> Yes | <u> X </u> No |

Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No
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Federal and State Financial Awards

Internal control over the major programs:

- | | | |
|--|-------------------|-----------------|
| • Material weaknesses identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiencies identified? | <u> </u> Yes | <u> X </u> 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?

<u> </u> Yes	<u> X </u> No
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MERCER STREET FRIENDS CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

I. Summary of Auditors' Results (Continued)

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

<u>CFDA Number</u>	<u>Grant Number</u>	<u>Name of Federal and State Program or Cluster</u>
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Federal:

Food Distribution Cluster:

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

State:

N/A	State of New Jersey, Department of Education, Trenton Board of Education
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Dollar threshold used to distinguish between Type A and Type B programs:

Federal - <u>\$ 750,000</u>	State - <u>\$ 750,000</u>
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Mercer Street Friends Center qualified as a low-risk auditee.

II. Financial Statement Findings

NONE

III. Compliance Findings

NONE

IV. Prior Audit Findings

NONE