MERCER STREET FRIENDS CENTER

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2023 AND 2022

MERCER STREET FRIENDS CENTER
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Mercer Street Friends Center
Trenton, New Jersey

Opinion

We have audited the accompanying financial statements of Mercer Street Friends Center (the Center), a New Jersey nonprofit organization, which comprise the statements of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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, 2023, 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 audit 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. 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.

Other Matter

The financial statements as of June 30, 2022, were audited by Sobel & Co., LLC, whose partners and staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations. Sobel & Co., LLC's report dated January 25, 2023, expressed an unmodified opinion on those financial statements.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2023, the Center adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with terms great than one year. Our opinion is not modified with respect to this matter.

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 and *Government 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 and *Government 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.

Board of Trustees
Mercer Street Friends Center

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 27 and 28, 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 February 25, 2024, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
February 25, 2024

MERCER STREET FRIENDS CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 3,812,310	$ 4,504,860
Accounts Receivable, Net of Allowance of $13,376 and $13,626 for 2023 and 2022	135,045	68,220
Investments	1,915,350	1,782,704
Unbilled Services	-	80,499
Prepaid Expenses and Other Current Assets	911,294	852,001
Total Current Assets	6,773,999	7,288,284
PROPERTY AND EQUIPMENT, NET	9,488,433	926,875
OPERATING RIGHT-OF-USE ASSET	231,467	-
BENEFICIAL INTEREST IN PERPETUAL TRUST	1,099,426	1,072,940
SECURITY DEPOSIT	11,667	11,667
Total Assets	$ 17,604,992	$ 9,299,766
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 550,556	$ 362,283
Current Lease Liability - Operating	231,467	-
Accrued Expenses	364,859	558,271
Deferred Contract Revenue	99,625	1,237,990
Current portion of note payable	257,712	-
Total Current Liabilities	1,504,219	2,158,544
LONG-TERM LIABILITIES		
Notes Payable - Principal Amount	5,942,038	-
Total Long-Term Liabilities	5,942,038	-
Total Liabilities	7,446,257	2,158,544
NET ASSETS		
Without Donor Restrictions	6,703,416	3,672,910
With Donor Restrictions	3,455,319	3,468,312
Total Net Assets	10,158,735	7,141,222
Total Liabilities and Net Assets	$ 17,604,992	$ 9,299,766

See accompanying Notes to Financial Statements.

MERCER STREET FRIENDS CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 1,240,734	$ 1,311,459	$ 2,552,193
Federal Support	2,550,644	-	2,550,644
State Support	9,820,344	-	9,820,344
Municipal Support	1,430,433	-	1,430,433
Local and Other Income	3,100	-	3,100
Investment Income	46,069	-	46,069
Miscellaneous Income	9,220	-	9,220
Rental Income	23,188	-	23,188
Total	15,123,732	1,311,459	16,435,191
Net Assets Released from Restrictions	1,350,938	(1,350,938)	-
Total Revenues, Gains, and Other Support	16,474,670	(39,479)	16,435,191
EXPENSES			
Program Services	12,123,930	-	12,123,930
General and Administrative	1,103,262	-	1,103,262
Fundraising	495,252	-	495,252
Total Expenses	13,722,444	-	13,722,444
CHANGES IN NET ASSETS BEFORE OTHER ITEMS	2,752,226	(39,479)	2,712,747
OTHER ITEMS			
Adjustment for furnishings and equipment	43,192	-	43,192
Unrealized Loss on Investments	235,088	-	235,088
Change in Value of Split-Interest Agreement	-	26,486	26,486
Total Other Items	278,280	26,486	304,766
CHANGES IN NET ASSETS	3,030,506	(12,993)	3,017,513
Net Assets - Beginning of year	3,672,910	3,468,312	7,141,222
NET ASSETS - END OF YEAR	$ 6,703,416	$ 3,455,319	$ 10,158,735

See accompanying Notes to Financial Statements.

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
Total	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

See accompanying Notes to Financial Statements.

MERCER STREET FRIENDS CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services	General and Administrative	Fundraising	Total
PERSONNEL				
Professional Staff	$ 2,972,796	$ 392,311	$ 236,860	$ 3,601,967
Health Benefit Plan	311,055	37,341	16,059	364,455
Retirement Plans	29,296	8,928	3,202	41,426
Payroll Taxes and Employee Benefits	378,524	21,005	23,962	423,491
Total Personnel	3,691,671	459,585	280,083	4,431,339
EXPENSES				
Professional Fees	252,020	343,309	125,899	721,228
Rent	371,469	-	-	371,469
Utilities	133,411	24,732	460	158,603
Buildings and Grounds Maintenance	191,283	58,048	-	249,331
Supplies	314,232	97,650	2,150	414,032
Postage and Shipping	586	739	6,867	8,192
Insurance	67,843	39,524	1,135	108,502
Depreciation and Amortization	105,500	18,004	1,482	124,986
Printing and Reproduction	-	350	55,586	55,936
Mileage and Vehicle Operating Expenses	109,605	994	252	110,851
Conferences	22,536	5,658	-	28,194
Dues and Subscriptions	8,442	3,441	-	11,883
Equipment Rental, Repairs and Maintenance	574,058	2,549	1,683	578,290
Interest and Miscellaneous Expenses	115,241	44,630	17,195	177,066
Food Purchases	5,906,216	4,049	2,460	5,912,725
Other Program Expenses	259,817	-	-	259,817
Total Expenses by Function	$ 12,123,930	$ 1,103,262	$ 495,252	$ 13,722,444

See accompanying Notes to Financial Statements.

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
Total Personnel	3,263,965	469,323	82,023	3,815,311
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
Total Expenses by Function	$ 7,176,323	$ 1,038,483	$ 263,135	$ 8,477,941

See accompanying Notes to Financial Statements.

MERCER STREET FRIENDS CENTER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 3,017,513	$ 371,056
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	124,986	95,902
Realized and Unrealized Gains on Investments	(369,974)	235,451
Noncash Interest Expense (Amortization of Debt Issuance Costs)	-	-
Deferred Revenue	(1,138,365)	(2,369)
Beneficial Interest in Perpetual Trust	(26,486)	223,612
Changes in Assets and Liabilities:		
Accounts Receivable	(66,825)	126,885
Unbilled Services	80,499	(22,816)
Prepaid Expenses and Other Current Assets	(59,293)	31,910
Accounts Payable	362,283	88,669
Accrued Expenses	(193,412)	(116,542)
Refundable Advance	-	(450,000)
Net Cash Provided by Operating Activities	1,730,926	581,758
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,660,804)	(259,460)
Proceeds from Sale of Investments	237,328	15,394
Net Cash Used by Investing Activities	(2,423,476)	(244,066)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(692,550)	337,692
Cash and Cash Equivalents - Beginning of Year	4,504,860	4,167,168
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,812,310	$ 4,504,860
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	$ 177,066	$ 7,353

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES

During 2023, the Center entered into a mortgage in the amount of $6,199,750 to purchase a new warehouse building.

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF ORGANIZATION

Mercer Street Friends Center (Mercer Street or the 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.

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.

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 $109,790 and $64,020 at June 30, 2023 and 2022, 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.

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 2023 and 2022. At June 30, 2023 and 2022, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Center adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, while continuing to present the comparative period in accordance with the guidance under the lease standard in effect during that period. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840. The Center has elected the package of practical expedients available in the year of adoption.

The Center elected the available practical expedients to account for existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Center recognized on July 1, 2022 a lease liability of $477,205 which represents the present value of the remaining operating lease payments of $489,716 discounted using the risk-free discount rate comparable to the corresponding lease terms, and ROU asset of $477,205.

The standard had a material impact on the statement of financial position but did not have a significant impact on the statement of activities and changes in net assets, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

ROU assets represent the Center's right to use an underlying asset for the lease term and the lease liabilities present the Center's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. As most leases do not provide an implicit rate, the Center uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain the Center will exercise that option. The lease expense for the lease payments is recognized on a straight-line basis over the lease term. The Center has elected to recognize payments for short-term leases with a lease term of 12 months or less as an expense incurred and the leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The Center's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Center considers factors such as if the Center obtained substantially of the rights to the underlying assets through exclusivity, if the Center can direct the use of the asset by making decisions about how and for what purpose the asset will be used if the lessor has a substantive substation rights. This evaluation may require significant judgement.

Subsequent Events

The Center has evaluated events subsequent to the statement of financial position date as of June 30, 2023 through February 25, 2024, 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:

	2023	2022
Food Bank	$ 2,147,405	$ 1,295,631
Beneficial Interest in Perpetual Trust	1,099,424	1,072,940
Other	208,490	1,099,741
Total	$ 3,455,319	$ 3,468,312

Net assets released from donor restrictions were as follows:

	2023	2022
Food Bank	$ 527,770	$ 546,608
Other	823,168	151,878
Total	$ 1,350,938	$ 698,486

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.

NOTE 4 INVESTMENTS (CONTINUED)

Pooled Investments (Continued)

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:

	2023	
	Cost	Fair Value
Equity Investment Pool	$ 1,500,000	$ 1,440,338
Fixed Income Investment Pool	500,000	475,012
Total	$ 2,000,000	$ 1,915,350

	2022	
	Cost	Fair Value
Equity Investment Pool	$ 1,500,000	$ 1,353,484
Fixed Income Investment Pool	500,000	429,220
Total	$ 2,000,000	$ 1,782,704

Dividends and interest related to investments held by PACF and FFC amounted to $10,277 and $46,272 for the years ended June 30, 2023 and 2022, respectively. Realized gains of $13,635 and $18,792, respectively, unrealized losses of $235,451 and unrealized gains of $32,778 respectively were recorded during the years ended June 30, 2023 and 2022, respectively. The total annual return of approximately (6%) and (12%) for the years ended June 30, 2023 and 2022, 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, as of June 30:

	2023			
	Level 1	Level 2	Level 3	Total
Pooled Investments Held by PACF	$ -	$ -	$ 1,440,338	$ 1,440,338
Pooled Investments Held by FFC	-	-	475,012	475,012
Beneficial Interest in Perpetual Trust	-	-	1,099,426	1,099,426
Total	$ -	$ -	$ 3,014,776	$ 3,014,776

NOTE 4 INVESTMENTS (CONTINUED)

Fair Value Measurement (Continued)

	2022			
	Level 1	Level 2	Level 3	Total
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
Total	$ -	$ -	$ 2,855,644	$ 2,855,644

The changes in assets measured at fair value for which Level 3 inputs have been used to determine fair value, are as follows for the year ended June 30, 2023:

Balance at June 30, 2022	$ 2,855,644
Change in Beneficial Interest in Perpetual Trust	26,486
Purchases of Investments	-
Interest and Dividend Income	10,277
Investment Fees	(126,354)
Realized Gains	13,635
Unrealized Loss	235,088
Balance at June 30, 2023	$ 3,014,776

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	$ 2,855,644

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, 2023 and 2022, 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 as of June 30:

	Estimated Useful Life	2023	2022
Land		$ 1,487,432	$ 175,472
Buildings	25 to 40 Years	7,739,978	499,921
Improvements	4 to 40 Years	1,134,973	1,349,555
Leasehold Improvements	3 to 15 Years	306,000	315,789
Furniture and Fixtures	3 to 20 Years	385,755	693,865
Computers and Accessories	4 to 5 Years	53,215	170,796
Software	3 to 5 Years	74,824	151,047
Automobiles and Vans	3 to 5 Years	516,370	423,521
Total		11,698,547	3,779,966
Less: Accumulated Depreciation		2,210,114	2,853,091
Property and Equipment, Net		$ 9,488,433	$ 926,875

Total depreciation and amortization amounted to $124,986 and $95,902 in fiscal years 2023 and 2022, respectively.

NOTE 6 LONG-TERM DEBT

The Center obtained a new building loan June 2, 2023 payable to MD Partnership, LLC bearing interest of 6.25%. The loan is collateralized by the building and land at 3 Graphic Drive in Ewing, New Jersey. The loan has a balance of $6,199,750 at June 30, 2023 and will mature July 1, 2038.

Maturity of loan for each of the next five years is as follows:

Year Ending June 30,	
2024	$257,712
2025	274,288
2026	291,931
2027	310,708
2028	330,694
Thereafter	4,734,417
	$6,199,750

NOTE 7 LEASES – ASC 842

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. This lease will not be renewed upon expiration.

The following table provides quantitative information concerning the Center's leases:

		2023
Lease Cost:		
Operating Lease	$	255,504
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		-
Operating Cash Flows from Operating Leases		-
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities		477,205
Weighted-Average Remaining Lease Term		.8 Years
Weighted-Average Discount Rate		2.84%

The Center classifies the total discounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

Year Ending June 30,		Amount
2024	$	234,212
Undiscounted Cash Flows		234,212
Less: Imputed Interest		(2,745)
Total Present Value	$	231,467

NOTE 8 LEASES – ASC 840

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:

Year Ending June 30,		Amount
2023	$	58,988
2024		315,027
Total	$	315,027

Total rent expense, including rent-free use of space, was $373,756 in fiscal year June 30, 2022.

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

NOTE 9 PROGRAM SERVICES

The program expenses for the Center are as follows:

	2023	2022
Day Care - Children	$ 1,466,483	$ 1,382,190
Adult Services	1,025,849	933,027
Food Services	8,339,070	3,964,695
Youth Services	1,552,821	896,411
Total	$ 12,384,223	$ 7,176,323

NOTE 10 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 $41,426 and $33,631 were made for the years ending June 30, 2023 and 2022.

NOTE 11 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, 2023 and 2022, 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 12 DONATED MATERIALS AND SERVICES

Many individuals volunteer their time in the furtherance of the Center's mission. During fiscal year 2023, the Center received approximately 8,600 volunteer hours, and also received approximately 5,500,000 pounds of food and grocery products for the food bank. Approximately 48% was donated and the other 52% was acquired at a shared cost or purchased from food brokers. 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.

NOTE 13 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 14 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 15 LIQUIDITY AND AVAILABILITY

The following represents the Center’s financial assets at June 30, 2023, 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.

	2023	2022
Cash and Cash Equivalents	$ 3,812,310	$ 4,504,860
Accounts Receivable, Net of Allowance	135,045	68,220
Unbilled Services	-	80,499
Total Financial Assets	3,947,355	4,653,579
Less: Amounts not Available to be Used Within One Year:		
Net Assets with Donor Restrictions	(3,455,319)	(2,395,375)
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 492,036	$ 2,258,204

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 16 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.

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*

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, 2023, 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 February 25, 2024.

Report on 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) as a basis for designing 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 of 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 or significant deficiencies 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 financial statements. 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
February 25, 2024

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

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, 2023. Mercer Street Friends Center's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 programs for the year ended June 30, 2023.

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 the audit requirements of the State of New Jersey 15-08-OMB (Office of Management and Budget). Our responsibilities under those standards, the Uniform Guidance and New Jersey 15-08-OMB 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 programs. 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 programs.

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*, the Uniform Guidance and New Jersey 15-08-OMB 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 New Jersey 15-08-OMB 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.

Board of Trustees
Mercer Street Friends Center

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 New Jersey 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
February 25, 2024

MERCER STREET FRIENDS CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Grant Identification Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through State Department of Agriculture:			
Food Distribution Cluster:			
Division of Food and Nutrition	10.569	N/A	$ 278,775
NJ Cares VII	10.568	N/A	979,167
The Emergency and Food Assistance Program (TEFAP)	10.568	N/A	254,631
Total Food Distribution Cluster			1,512,573
The Emergency and Food Assistance Program (TEFAP-CCC)	10.187	N/A	2,823
Child and Adult Care Food Program	10.558	21-001	66,403
Summer Food Service	10.559	21200025	26,436
Total U.S. Department of Agriculture			1,608,235
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
ADMINISTRATION FOR CHILDREN AND FAMILIES			
Passed through:			
New Jersey Division of Youth and Family Services:			
Trenton Healthy Families	93.558	23APLC	439,177
Family Support and Reunification	93.556	23APLC	75,085
Parents as Teachers Program	93.870	23APLC	293,987
Covid ARP Home Visiting	93.870	23APLC	18,546
Total Healthy Families			826,795
Community Food Bank of New Jersey	10.557	N/A	39,875
Children's Futures	93.926	N/A	67,632
New Jersey Department of State TCNJ AmeriCorps	N/A	F2023-4	8,107
Total			115,614
Total Federal Awards			$ 2,550,644

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

MERCER STREET FRIENDS CENTER
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Total State Expenditures
NEW JERSEY DEPARTMENT OF EDUCATION		
Passed through from:		
Trenton Board of Education	N/A	$ 1,262,088
NEW JERSEY DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT		
Passed through from:		
Mercer County College - Adult Basic Skills Education Program	N/A	52,732
NEW JERSEY DEPARTMENT OF AGRICULTURE		
New Jersey State and Food Hunger Grant	N/A	9,350,000
New Jersey Division of Family Development	FR-003516	195,000
Total State Awards		$ 10,859,820

See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

MERCER STREET FRIENDS CENTER
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2023

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, 2023, 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, 2023, the Center did not have any federal or state loan or loan guarantee programs.

Section I – Summary of the Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ____ yes __x__ no
   - Significant deficiency(ies) identified? ____ yes __x__ none reported
3. Noncompliance material to basic financial statements noted? ____ yes __x__ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? ____ yes __x__ no
   - Significant deficiency(ies) identified? ____ yes __x__ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ____ yes __x__ no

Identification of Major Federal Programs

ALN Number(s)	Name of Federal Program or Cluster
Food Distribution Cluster	
10.568	U.S. Department of Agriculture - NJ Cares VII
10.568	U.S. Department of Agriculture – The Emergency and Foord Assistance Program
10.569	U.S. Department of Agriculture - Division of Food and Nutrition
93.558	U.S Department of Health and Family Services Trenton Healthy Families

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?	x	yes	___	no

Section I – Summary of the Auditors' Results (Continued)

State Financial Assistance

1. Internal control over state programs:

• Material weakness(es) identified?	___	yes	x	no
• Significant deficiency(ies) identified?	___	yes	x	none reported

2. Type of auditors' report issued on compliance for major state programs	Unmodified			
3. Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08?	___	yes	x	no

Identification of Major State Programs:

CFDA Number(s)	Name of State Program or Cluster
N/A	New Jersey State and Food Hunger Grant

Audit threshold used to determine between Type A and Type B programs: State Awards	$ 750,000

Section II – Financial Statement Findings

None

Section III – Compliance Findings

None

Section IV – Prior Audit Findings

None