

CUMAC/ECHO, INC.

Independent Auditors' Report,
Financial Statements for the
Year Ended December 31, 2021 (with Comparative
Totals for the Year Ended December 31, 2020)
and Supplementary Schedules for the
Year Ended December 31, 2021

CUMAC/ECHO, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
of Cumac/Echo, Inc.

Opinion

We have audited the accompanying financial statements of Cumac/Echo, Inc, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, 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 Cumac/Echo, Inc, Inc. as of December 31, 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cumac/Echo, Inc. 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 Cumac/Echo, Inc.'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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cumac/Echo, Inc.'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 Cumac/Echo, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Cumac/Echo, Inc.'s 2020 financial statements and our report dated October 25, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fairfield, New Jersey
September 26, 2022

CUMAC/ECHO, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

ASSETS	2021	2020
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,321,465	\$ 833,330
Gift certificates	4,478	7,248
Unconditional promise to give, net	-	47,794
Conditional promise to give, net	200,000	-
Grants receivable	133,921	226,425
Inventory	180,039	168,458
Prepaid expenses and other assets	7,955	8,489
Total current assets	<u>1,847,858</u>	<u>1,291,744</u>
PROPERTY AND EQUIPMENT - NET	324,350	303,999
LONG TERM CONDITIONAL PROMISE TO GIVE	350,000	-
SECURITY DEPOSIT	<u>6,000</u>	<u>6,000</u>
TOTAL ASSETS	<u>\$ 2,528,208</u>	<u>\$ 1,601,743</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 119,066	\$ 94,174
Line of credit	-	38,250
Long term debt - current portion	26,113	24,838
Total current liabilities	<u>145,179</u>	<u>157,262</u>
LONG-TERM LIABILITIES:		
Long-term debt	37,278	63,406
Paycheck Protection Program	-	142,000
Total long-term liabilities	<u>37,278</u>	<u>205,406</u>
Total liabilities	<u>182,457</u>	<u>362,668</u>
NET ASSETS:		
Without donor restrictions	2,295,116	1,167,186
With donor restrictions	50,635	71,889
Total net assets	<u>2,345,751</u>	<u>1,239,075</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,528,208</u>	<u>\$ 1,601,743</u>

CUMAC/ECHO, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2020)**

	Without Donor Restrictions	With Donor Restrictions	2021	2020
PUBLIC SUPPORT AND REVENUES:				
Government funded assistance:				
New Jersey Department of Human Services	\$ 252,000	\$ -	\$ 252,000	\$ 182,000
U.S. Department of Housing and Urban Development	71,038	-	71,038	82,842
U.S. Department of Health and Human Services	-	-	-	123,100
U.S. Department of Homeland Security	19,743	-	19,743	48,197
Public support:				
Contributions	821,533	-	821,533	870,952
Contributions from foundation	1,675,196	-	1,675,196	612,007
Non cash contributions	2,567,484	-	2,567,484	3,129,323
Thrift shop sales	19,208	-	19,208	17,153
ECO program income	14,585	-	14,585	-
Rental income	130,513	-	130,513	126,341
Net assets released from restrictions:				
Satisfaction of purpose restrictions	21,254	(21,254)	-	-
Total public support and revenues	<u>5,592,554</u>	<u>(21,254)</u>	<u>5,571,300</u>	<u>5,191,915</u>
EXPENSES:				
Program services:				
Food procurement	3,946,246	-	3,946,246	4,178,139
Clothing procurement	55,243	-	55,243	88,507
Housing procurement	170,987	-	170,987	144,875
Job procurement	41,433	-	41,433	33,178
Total program services	<u>4,213,909</u>	<u>-</u>	<u>4,213,909</u>	<u>4,444,699</u>
Supporting services:				
Management and general	137,719	-	137,719	94,683
Fundraising	276,582	-	276,582	286,664
Total supporting services	<u>414,301</u>	<u>-</u>	<u>414,301</u>	<u>381,347</u>
Total expenses	<u>4,628,207</u>	<u>-</u>	<u>4,628,207</u>	<u>4,826,046</u>
CHANGE IN NET ASSETS BEFORE NON-OPERATING ACTIVITIES	<u>964,347</u>	<u>(21,254)</u>	<u>943,093</u>	<u>365,869</u>
NON-OPERATING ACTIVITIES:				
Forgiveness of Paycheck Protection Program	142,000	-	142,000	-
Interest and dividends	2,064	-	2,064	480
Insurance proceeds	13,270	-	13,270	-
Miscellaneous income	6,249	-	6,249	2,352
Total non-operating activities	<u>163,583</u>	<u>-</u>	<u>163,583</u>	<u>2,832</u>
CHANGE IN NET ASSETS	1,127,930	(21,254)	1,106,676	368,701
NET ASSETS, BEGINNING OF YEAR	<u>\$ 1,167,186</u>	<u>\$ 71,889</u>	<u>1,239,074</u>	<u>870,373</u>
NET ASSETS, END OF YEAR	<u>\$ 2,295,116</u>	<u>\$ 50,635</u>	<u>\$ 2,345,751</u>	<u>\$ 1,239,074</u>

CUMAC/ECHO, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	Program Services					Supporting Services		2021	2020
	Food Procurement	Clothing Procurement	Housing Procurement	Job Procurement	Total Program Services	Management and General	Fundraising		
Personnel costs:									
Salaries and wages	\$ 650,125	\$ 41,944	\$ 62,915	\$ 31,458	\$ 786,442	\$ 62,915	\$ 199,232	\$ 1,048,590	\$ 837,095
Payroll taxes	62,224	4,014	6,022	3,011	75,271	6,022	19,069	100,361	80,679
Fringe benefits	91,047	5,874	8,811	4,406	110,138	8,811	27,902	146,849	100,765
Total personnel costs	803,396	51,832	77,748	38,875	971,852	77,749	246,203	1,295,800	1,018,539
Donated food	2,771,631	-	-	-	2,771,631	-	-	2,771,631	3,391,446
ECO program	85,018	-	-	-	85,018	-	-	85,018	-
Occupancy	-	-	72,000	-	72,000	-	-	72,000	72,000
Food pantry and drive	68,691	-	-	-	68,691	-	-	68,691	25,611
Utilities	31,063	2,004	12,690	1,503	47,260	3,006	9,519	59,785	49,154
Insurance	10,984	-	5,913	-	16,897	9,778	-	26,675	26,188
Repairs and maintenance	25,339	-	526	-	25,865	-	-	25,865	33,068
Office expense	12,703	820	1,229	615	15,367	1,229	3,893	20,490	32,766
Professional fees	-	-	-	-	-	18,585	-	18,585	16,091
Food haulage	17,539	-	-	-	17,539	-	-	17,539	12,925
Advertising	-	-	-	-	-	-	11,165	11,165	5,790
Telephone	6,075	392	588	294	7,349	588	1,862	9,798	7,352
Garbage disposal	8,839	-	-	-	8,839	-	-	8,839	8,054
Consultants	-	-	-	-	-	5,465	-	5,465	8,858
Interest expense	3,023	195	293	146	3,657	293	926	4,876	7,804
Dues and subscriptions	-	-	-	-	-	1,886	-	1,886	2,084
Supplies	340	-	-	-	340	-	-	340	10,342
Fundraising venue	-	-	-	-	-	-	-	-	1,250
Fundraising consultant	-	-	-	-	-	-	-	-	4,141
Other fundraising	-	-	-	-	-	-	3,014	3,014	1,719
Training	-	-	-	-	-	19,140	-	19,140	3,275
	3,844,641	55,243	170,987	41,433	4,112,304	137,719	276,582	4,526,602	4,738,457
Depreciation	101,605	-	-	-	101,605	-	-	101,605	87,588
Total expenses	\$ 3,946,246	\$ 55,243	\$ 170,987	\$ 41,433	\$ 4,213,909	\$ 137,719	\$ 276,582	\$ 4,628,207	\$ 4,826,045

CUMAC/ECHO, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,106,676	\$ 368,702
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	101,605	87,588
Forgiveness of paycheck protection program loan	(142,000)	-
(Increase) decrease in operating assets:		
Gift certificates	2,770	(901)
Unconditional promises to give, net	47,794	50,000
Conditional promises to give, net	(550,000)	-
Grants receivable	92,504	(73,038)
Inventory	(11,581)	77,743
Prepaid expenses and other assets	534	485
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	24,892	10,782
Net cash provided by operating activities	<u>673,194</u>	<u>521,361</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(121,956)	(42,058)
Net cash (used in) investing activities	<u>(121,956)</u>	<u>(42,058)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(24,853)	(23,552)
Repayment of line of credit	(38,250)	(20,500)
Proceeds from paycheck protection program	-	142,000
Net cash (used in) provided by financing activities	<u>(63,103)</u>	<u>97,948</u>
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	488,135	577,251
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	<u>833,852</u>	<u>256,601</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 1,321,987</u>	<u>\$ 833,852</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	<u>\$ 4,876</u>	<u>\$ 7,804</u>

CUMAC/ECHO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. NATURE OF ACTIVITIES

Cumac/Echo, Inc. (“Cumac”) (the “Organization”) was incorporated on January 15, 1985. Cumac is a nonprofit organization under the laws of the State of New Jersey. Cumac was formed to feed people and change lives. It works to alleviate hunger and its root causes for those in need in Paterson, Passaic County and Northern New Jersey.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting --- The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when received and expenses are recognized when incurred.

Basis of presentation --- The Organization prepares its financial statements in accordance with the American Institute of Certified Public Accountant’s Audit and Accounting Guide, *Nonprofit Organizations, New Jersey Office of Management and Budget 15-08-OMB, Government Accounting Standards and Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) and other pronouncements applicable to nonprofit organizations.

The financial statements are presented in accordance with FASB and ASB Paragraphs 958-205-45-2(a) through(d), which establishes standards for external financial reporting by nonprofit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to the existence or absence of donor-imposed restrictions; net assets with donor restrictions and net assets without donor restrictions.

ASC Paragraphs 958-605-45-3 through 7, *Contributions Received*, requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are 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 Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents --- For purposes of the statement of cash flows, the Organization considers all cash without donor restrictions and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Restricted cash --- Restricted cash is the portion of cash that will be used to cover expenditures that have been purpose restricted by the donor.

CUMAC/ECHO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Accounts and grants receivable --- Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through bad debt expense and a credit to accounts or grants receivable. During the years ended December 31, 2021 and 2020, no allowance for doubtful accounts has been provided.

Fair value of financial instruments --- The carrying amounts of financial instruments including cash, receivables, inventory, accounts payable, accrued expenses and short-term debt approximated fair value as of December 31, 2021 and 2020, because of the relatively short maturity of these instruments. The carrying value of long-term debt, approximated fair value as of December 31, 2021 and 2020, based on current borrowing rates for loans with similar maturities.

Inventory --- Inventory consists of donated food and grocery products which is valued at fair value as calculated by Feeding America's computation of \$1.79 and \$1.74 per pound for years ended December 31, 2021 and 2020, respectively.

Property and equipment --- Property and equipment are recorded at cost and are depreciated using the straight-line method over the approximate useful lives listed below. The Organization's policy is to capitalize fixed assets with a purchase price of \$1,000 or more and a useful life of one year or more. Expenditures for maintenance, repairs and renewals of minor items are charged to earnings as incurred. Major renewals, improvements and expenditures which increase the useful lives of assets are capitalized. Donated equipment is stated at fair value at the date of donation.

<u>Asset Class</u>	<u>Years</u>
Land, building and leasehold	15-39
Furniture and Equipment	5-25
Vehicles	5-10

Impairment of long-lived assets --- The Organization continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of ASC 360-10-05, *Impairment or Disposals of Long-Lived Assets*.

Noncash donated goods --- The Organization receives donated food and grocery products that are donated to the Organization by the community. The Organization reports the fair value of gifts of donated food and grocery products over which it has control as public support (without donor restrictions) and, shortly thereafter, as expense when distributed. For the year ended December 31, 2021, 1,434,349 pounds of food were donated, representing \$2,567,484 of donated food, based on Feeding America's computation of \$ 1.79 per pound. For the year ended December 31, 2020, 1,798,462 pounds of food were donated, representing \$3,129,323 of donated food, based on Feeding America's computation of \$ 1.74 per pound.

CUMAC/ECHO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Donated services --- Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) required specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization generally pays for services requiring specific expertise.

Grant revenue and support recognition ---

Governmental grants – Grant money was received from several government agencies including the United States Department of Housing and Urban Development and New Jersey State Division of Human Services. These grants contain the ability to access funds in advance. Revenue from these grants were recognized when services have been performed. The terms of the grants specify that the Organization must incur certain qualifying expenses (or costs) in compliance with rules and regulations established by Federal and State governments. Any unused assets are forfeited, and any unallowed costs are required to be refunded.

Contributions --- Contributions, including unconditional promises to give, are recorded as received. All contributions are available for use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. All contributions are considered to be without restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or are designated by the donor for specific purposes are reported as net assets with restrictions. Amounts required to be maintained in perpetuity by the donor are also reported as net assets with donor restrictions.

Thrift shop revenue --- The Organization sells merchandise which consists of items that have been donated to the Organization by the community. The value of these items were not readily determinable until such merchandise is sold. Revenue derived from these items is recorded at the time of sale.

Eco program revenue – The Organization has a tri-party service agreement with OASIS, an organization which offers a haven for women and children (“OASIS”) and Eva’s Village an organization which offers social services and clinical programs for the homeless (“Eva’s Village”). Each Organization works together to provide their respective expertise to help women in need in the City of Paterson. Cumac provides female client housing units and records rental income upon receipt.

Rental --- Rental income is recognized once the event has occurred.

Income taxes --- The Organization is a not-for-profit organization described under Section 501(c)(3) of the Internal Revenue Code (“I.R.C.”) and is therefore exempt from federal income taxes under Section 501(a) of the I.R.C. The Organization is also exempt under Title 15 of the State of New Jersey *Corporations and Associations Not for Profit Act*. Accordingly, no provision for Federal or State income taxes has been presented in the accompanying financial statements.

CUMAC/ECHO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Income taxes --- The Organization adheres to FASB ASC Topic 740, *Income Taxes*, which provides guidance and clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. For the years ended December 31, 2021 and 2020, the Organization has no material uncertain tax positions to be accounted for in the financial statements.

Annually, the Organization files an informational return with the United States Internal Revenue Service. The Organization also files an annual charitable registration with the State of New Jersey, Division of Consumer Affairs. All required tax returns have been filed and all taxes have been paid. The Organization is generally subject to tax examinations for three years after its latest filing.

Functional allocation of expenses --- Expenses are charged to each program based on direct expenditures incurred. Program expenses are those related to community service programs and include food, clothing, housing or job procurement. Management and general relate to administrative expenses incurred to operate the programs. Fundraising expenses related to the cost of accumulating contributions.

Allocated indirect expenditures include salaries and related payroll expenses, which are allocated on the basis of estimates of time and effort. The indirect labor hours cost pool serves as the basis for allocating all other indirect costs.

Prior year summarized information --- The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification --- Certain prior year information has been reclassified to conform with the current year presentation.

Subsequent events --- Management has evaluated subsequent events through September 26, 2022, the date on which the financial statements were available to be issued, and have determined that, except as detailed in Note 14, there are no subsequent events that require disclosure.

CUMAC/ECHO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020 (CONTINUED)

3. CONCENTRATIONS OF RISK

Arising from cash deposits in excess of insured limits --- The Organization maintains the majority of its cash accounts in one financial institution located in Northern New Jersey. During the year, cash balances can exceed federally insured limits of \$250,000. Management believes that the Organization has no significant risk of loss on these amounts due to the failure of the institution.

Funding dependence --- The organization receives grants from federal, state and local agencies. These grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, the Organization deems the contingencies remote, as it has met the objectives to the provisions of the grants.

Contract vulnerability --- The activities of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to an administrative change mandated by the said federal, state or local agency.

4. PROPERTY AND EQUIPMENT

A summary of the Organization's property and equipment as of December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Land, building and leasehold – Ellison St.	\$ 911,022	\$ 873,672
Equipment	253,323	214,928
Office equipment	25,908	25,908
Vehicles	104,243	90,243
	<u>1,294,496</u>	<u>1,204,751</u>
Less: Accumulated depreciation	<u>(970,146)</u>	<u>(900,752)</u>
Total	<u>\$ 324,350</u>	<u>\$ 303,999</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$101,605 and \$87,588 respectively.

5. CONDITIONAL PROMISES TO GIVE, NET

The Organization received a conditional promise to give of \$775,000 by Henry and Marilyn Taub Foundation over five years with decreasing amounts each year. The Organization will receive payments as follows: Year 2021- \$225,000; Year 2022 - \$200,000; Year 2023 -\$200,000; Year 2024 - \$100,000 and Year 2025 – \$50,000. The Organization is required to provide the following key programs for the Regional Food Hub: 1) development and improvement of warehousing, 2) development of the program manual for the ECO program, 3) improving processes and procedures and updating the program manual for Place of Promise and 4) pandemic relief efforts to support Passaic County and the city of Paterson.

CUMAC/ECHO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020 (CONTINUED)

6. UNCONDITIONAL PROMISES TO GIVE, NET

The Organization received an unconditional promise to give from a donor in order to support the Organizations' mission. In 2019, the donor promised to make annual payments of \$50,000 over three years for a total of \$150,000. At December 31, 2021 and 2020 the Organization received \$50,000 and \$50,000, respectively. Total unconditional promises to give consist of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unconditional promise to give	\$ -	\$ 50,000
Less: Discount for long-term pledges	-	2,206
Net unconditional promises to give	<u>\$ -</u>	<u>\$ 47,794</u>

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ -	\$ 47,794
One to five years	-	-
Total	<u>\$ -</u>	<u>\$ 47,794</u>

Unconditional promises to give due in more than one year are recognized at fair value using present value techniques and discount rates of approximately 1% - 4% for the years ended December 31, 2021 and 2020. Annually management adjusts risk free interest rates based on the Organizations level of risk in order to assess the discount applied.

7. LINE OF CREDIT

The Organization has a \$100,000 operating line of credit arrangement with Columbia Bank secured by land and building located at 219-229 Ellison Street, Paterson, New Jersey. The line bears interest at 4.25%. The line of credit matured July 15, 2021 and was subsequently renewed through January 15, 2023. The line of credit was \$-0- at December 31, 2021.

8. DEBT

On April 11, 2014, the Organization entered into a loan agreement with a financial institution. The loan is payable in monthly installments of \$2,411 including interest and is secured by land and building located at 219-229 Ellison Street, Paterson, New Jersey. Interest is based on the Weekly Average Yield on the Federal Home Loan Bank Fixed Advance rate, but not less than 4.65% per annum. Interest is currently at a rate of 5.25% per annum and may be adjusted on each five year anniversary. The balance at December 31, 2021 and 2020 was \$63,406 and \$88,244 respectively. Maturities by year are as follows:

December 31, 2022	26,113
December 31, 2023	27,455
December 31, 2024	9,838
	<u>\$ 63,406</u>

CUMAC/ECHO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020 (CONTINUED)

9. PAYCHECK PROTECTION PROGRAM

On April 10, 2020, the Organization obtained a Paycheck Protection Program (“PPP”) loan in the amount of \$142,000, pursuant to the terms of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) enacted March 27, 2020. So long as the Organization incurs certain qualifying expenses, they may apply for the loan to be forgiven by the Small Business Administration (“SBA”) in whole or in part beginning no sooner than seven weeks from the date of the note. On February 24, 2021, management applied and received full forgiveness on the loan. In accordance with the provisions provided by the AICPA, management has chosen to recognize the revenue in the year in which it has been legally forgiven.

10. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2021 and 2020, net assets with donor restrictions were for the following purposes:

	<u>2021</u>	<u>2020</u>
Useful life of property and equipment	\$ 4,095	\$ 10,221
Scholarship fund	3,020	3,020
Purchase of truck	-	3,244
Useful life of office leasehold improvement	<u>43,520</u>	<u>55,404</u>
Total net assets with donor restrictions	<u>\$ 50,635</u>	<u>\$ 71,889</u>

Contributions of cash that must be used to acquire property and equipment are reported as support with restrictions. The Organization reports expirations of donor restrictions over the estimated useful lives of the various assets. The Organization reclassifies net assets with donor restrictions to without donor restrictions at that time.

Net assets were released from donor restrictions by incurring expenses satisfying purpose restrictions by donors during the years ended December 31, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Beyond hunger program	\$ -	\$ 97,794
Useful life of property and equipment	6,126	-
Purchase of truck	3,244	-
Useful life of leasehold improvements	<u>11,884</u>	<u>3,627</u>
Total donor restrictions satisfied	<u>\$ 21,254</u>	<u>\$ 101,421</u>

11. RENTAL INCOME

The Organization receives rental payments for the 2nd floor of their operating building on a month-to-month basis from a third party. Rental payments received for the years ended December 31, 2021 and 2020 were \$91,606 and \$92,079, respectively. The Organization also receives rental payments from participants in their permanent supportive housing program.

CUMAC/ECHO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020 (CONTINUED)

11. RENTAL INCOME (CONT.)

The Organization signs occupancy agreements with the residents requiring that they make rental payments equivalent to thirty percent of their income as required by the United States Department of Housing and Urban Development contract. During the years ended December 31, 2021 and 2020, the Organization received \$38,907 and \$34,262 in rental payments from the housing program.

12. FRINGE BENEFITS

The Organization's fringe benefit package is offered to all full-time employees who are regularly scheduled to work at least thirty hours per week. Benefits become effective 60 days after the first day of employment. These benefits include medical insurance, including a medical insurance waiver option, dental and prescription drug plan, life insurance, paid time off, and a 403(b) plan. During the years ended December 31, 2021 and 2020, fringe benefits totaled \$146,849 and \$100,765 respectively.

13. RETIREMENT PLAN

The Organization offers their employees a 403(b) retirement plan. The plan covers all employees who are at least twenty-one (21) years of age with one or more years of service. During the years ended December 31, 2021 and 2020, there were no employer contributions into the 403(b) plan.

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has in place several long-term commitments for its loans and lease agreements as detailed in Notes 7 and 8. Management anticipates meeting general expenditures within one year of the date of the statement of financial position with the funding provided by the existing methods of public support currently received.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end	\$ 1,847,858	\$ 1,288,819
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted funding	50,635	71,889
Prepaid expenses and other assets	<u>7,955</u>	<u>8,489</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,789,268</u>	<u>\$ 1,208,441</u>

CUMAC/ECHO, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020 (CONTINUED)

14. SUBSEQUENT EVENTS

Covid-19 --- On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As a result, economic uncertainties have arisen which have caused a negative impact on the financial markets. The Organization is evaluating the impact of COVID-19 and its pervasive impact to the overall economy and has determined it cannot reasonably estimate the financial impact, if any, on its operations, asset and material accounting estimates at this time.

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 of
Cumac/Echo, Inc.

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, the financial statements of Cumac/Echo, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cumac/Echo, Inc.'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 on the effectiveness of Cumac/Echo, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Cumac/Echo, Inc.'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 entity'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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cumac/Echo, Inc.'s financial statements are free from 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 This 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullari Carrico, LLC
Fairfield, New Jersey
September 26, 2022

CUMAC/ECHO, INC.

SCHEDULE OF AUDITORS' RESULTS AND FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2021

SUMMARY OF AUDITORS' RESULTS

A. *Financial Statements*

Type of auditors' opinion(s) issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not
considered to be material weaknesses? _____ yes X reported

Noncompliance material to financial statements noted? _____ yes X no

FINDINGS – FINANCIAL STATEMENT AUDIT

The audit did not disclose any findings or questioned costs required to be reported under generally accepted auditing standards.

STATUS OF PRIOR YEAR FINDINGS

Audit of Cumac/Echo, Inc. Financial Statements for the year ended December 31, 2020

There were no prior year findings.

CUMAC/ECHO, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2021**

<u>Grantor/Program title/Pass through grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity identifying Number</u>	<u>Current Year Expenditures</u>
Department of Housing and Urban Development Pass through New Jersey Department of Human Services Continuum of Care Program	14.267	NJ0132L2F112013	\$ 71,038
Department of Homeland Security Emergency Food and Shelter National Board Program	97.024	LRO601800009	<u>19,743</u>
			<u>\$ 90,781</u>

CUMAC/ECHO, INC.

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Grantor/Program title/Pass through grantor/Program Title</u>	<u>State Account Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Fiscal year disbursements</u>	<u>Total disbursements</u>
New Jersey Department of Human Services Passaic County Department of Human Services Social Services for the Homeless	SH20016 CY2021	1/1/21-12/31/21	<u>\$ 252,000</u>	<u>\$ 252,000</u>	<u>\$ 252,000</u>

CUMAC/ECHO, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED DECEMBER 31, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance present the federal and state grant activity of Cumac/Echo, Inc., and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), and New Jersey 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aide*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey 15-08-OMB, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization did not elect to use the 10-percent de minimus indirect cost rate.

3. NEW JERSEY STATE SINGLE AUDIT POLICY (15-08-OMB)

The State of New Jersey requires all organizations that disburse federal grant, state grant or state aid funds to recipients that expend \$750,000 or more in federal or state financial assistance within their fiscal year to have annual single audits or program-specific audits performed in accordance with the Uniform Guidance and New Jersey 15-08-OMB.

All organizations that disburse federal grant, state grant or state aid funds to recipients that expend less than \$750,000 in federal or state financial assistance within their fiscal year, but expend \$100,000 or more in state and/or federal financial assistance within their fiscal year must have either a financial statement audit performed in accordance with Government Auditing Standards (Yellow Book) or a program-specific audit performed in accordance with New Jersey 15-08-OMB.

The Organization did not qualify for a single audit in accordance with New Jersey 15-08-OMB.