

BAKER INDUSTRIES, INC.

DECEMBER 31, 2021 AND 2020

FINANCIAL STATEMENTS

BAKER INDUSTRIES, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Baker Industries, Inc.
184 Pennsylvania Ave.
Malvern, PA 19355

We have audited the accompanying financial statements of Baker Industries, Inc., which comprise the statement of financial position as of December 31, 2021 and 2020 and the related comparative statements of operations and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baker Industries, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Doyle & McDonnell, P.C.

Doyle & McDonnell, P.C.
Certified Public Accountants
Broomall, Pennsylvania

April 1, 2022

BAKER INDUSTRIES, INC.
COMPARATIVE STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash	\$ 769,847	\$ 895,710
Marketable Securities	2,029,546	1,441,411
Accounts Receivable, Net of Allowance	58,827	118,166
Prepaid Expenses	3,340	4,763
Total Current Assets	2,861,560	2,460,050
PROPERTY AND EQUIPMENT		
Land	152,900	152,900
Building and Improvements	2,231,829	2,058,921
Equipment	349,424	339,228
Vehicles	113,221	113,221
Total Property and Equipment	2,847,374	2,664,270
Accumulated Depreciation	(1,481,631)	(1,248,563)
Total Property and Equipment - Net	1,365,743	1,415,707
TOTAL ASSETS	\$ 4,227,303	\$ 3,875,757
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 143,300	\$ 5,000
Payroll and Sales Tax Payable	-	25,000
Loan Payable - PPP Loan	123,197	118,400
Total Current Liabilities	266,497	148,400
TOTAL LIABILITIES	266,497	148,400
FUND BALANCE		
Fund Balance without Donor Restrictions	3,902,491	3,727,357
Fund Balance with Donor Restrictions	58,315	-
Total Fund Balance	3,960,806	3,727,357
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,227,303	\$ 3,875,757

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.

STATEMENT OF ACTIVITIES AND FUND BALANCE

DECEMBER 31, 2021 (with totals for the year ended December 31, 2020)

	With out Donor Restrictions	With Donor Restrictions	2021	2020
SUPPORT AND REVENUE				
Support				
Donations - Individuals	\$ 120,230	\$ -	\$ 120,230	\$ 154,350
Donations - Foundations and Corporations	563,467	123,836	687,303	1,026,517
Fund-Raising	607,677	-	607,677	147,554
Total Support	<u>1,291,374</u>	<u>123,836</u>	<u>1,415,210</u>	<u>1,328,421</u>
Revenue				
Sales of Services	672,283	-	672,283	472,520
Rental	9,775	-	9,775	17,783
Interest and Dividends	36,682	-	36,682	26,088
Total Revenue	<u>718,740</u>	<u>-</u>	<u>718,740</u>	<u>516,391</u>
TOTAL SUPPORT AND REVENUE	<u>2,010,114</u>	<u>123,836</u>	<u>2,133,950</u>	<u>1,844,812</u>
ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>65,521</u>	<u>(65,521)</u>	<u>-</u>	<u>-</u>
TOTAL	<u>2,075,635</u>	<u>58,315</u>	<u>2,133,950</u>	<u>1,844,812</u>
EXPENSES				
Program Services	1,801,929	-	1,801,929	1,511,163
Supporting Services	166,200	-	166,200	137,570
Fund-Raising	171,732	-	171,732	157,331
Total Expenses	<u>2,139,861</u>	<u>-</u>	<u>2,139,861</u>	<u>1,806,064</u>
OTHER INCOME (EXPENSE)				
Gain on Sale of Assets	200	-	200	15,000
Other Income	4,113	-	4,113	7,567
PPP Loan Forgiveness	118,400	-	118,400	-
Unrealized Gain on Securities	116,647	-	116,647	102,261
Total Other Income (Expense)	<u>239,360</u>	<u>-</u>	<u>239,360</u>	<u>124,828</u>
NET INCREASE IN FUND BALANCE	<u>175,134</u>	<u>58,315</u>	<u>233,449</u>	<u>163,576</u>
FUND BALANCE - BEGINNING OF YEAR	<u>3,727,357</u>	<u>-</u>	<u>3,727,357</u>	<u>3,563,781</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,902,491</u>	<u>\$ 58,315</u>	<u>\$ 3,960,806</u>	<u>\$ 3,727,357</u>

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
DECEMBER 31, 2021

	Program Services	Supporting Services	Fund Raising	Total 2021 Operating Expenses
Salaries - Management	\$ 193,420	\$ 115,000	\$ 83,750	\$ 392,170
Salaries - Program	749,043	-	-	749,043
Payroll Taxes	73,658	9,200	6,700	89,558
Participant/Administration Benefits	61,202	10,000	6,500	77,702
Participant Training	4,746	-	-	4,746
Participant Expense - Services	6,702	-	-	6,702
Job Services	100	-	-	100
Job Supplies and Shipping	33,394	-	-	33,394
OT Services	-	-	-	-
Insurance	54,178	7,000	-	61,178
Fund-Raising Expenses	-	-	73,782	73,782
Auto Expense	14,756	-	-	14,756
Professional Fees	144,432	12,500	-	156,932
Office and Warehouse Supplies	22,968	1,000	-	23,968
Utilities	39,048	2,000	-	41,048
Telephone	3,975	500	-	4,475
Depreciation	113,025	-	-	113,025
Equipment Rental	19,284	-	-	19,284
Repairs and Maintenance	18,236	-	-	18,236
Trash Removal	13,208	-	-	13,208
Other Expenses	2,305	1,500	-	3,805
Consulting Expense	19,306	-	-	19,306
Computer Expense	13,604	1,500	1,000	16,104
Internet Expense	7,325	-	-	7,325
Bank Charges	474	-	-	474
Rent Expense	151,950	5,000	-	156,950
Sales Expense	5,625	-	-	5,625
Dues and Subscriptions	1,530	1,000	-	2,530
Bad Debts	34,435	-	-	34,435
Total Operating Expense	\$ 1,801,929	\$ 166,200	\$ 171,732	\$ 2,139,861

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
DECEMBER 31, 2020

	Program Services	Supporting Services	Fund Raising	Total 2020 Operating Expenses
Salaries - Management	\$ 124,076	\$ 102,362	\$ 83,751	\$ 310,189
Salaries - Program	635,742	-	-	635,742
Payroll Taxes	63,800	8,595	7,033	79,428
Alumni Bonus	25	-	-	25
Participant/Administration Benefits	70,921	7,571	6,500	84,992
Participant Expense - Supplies	13,835	-	-	13,835
Participant Expense - Services	6,375	-	-	6,375
Job Services	231	-	-	231
Job Supplies and Shipping	36,548	-	-	36,548
Insurance	52,353	6,470	-	58,823
Fund-Raising Expenses	-	-	39,047	39,047
Auto Expense	6,453	-	-	6,453
Interest Expense	608	-	-	608
Professional Fees	100,314	7,000	20,000	127,314
Office and Warehouse Supplies	17,699	1,000	-	18,699
Utilities	40,212	2,100	-	42,312
Telephone	5,376	1,000	-	6,376
Depreciation	114,842	-	-	114,842
Equipment Rental	14,513	-	-	14,513
Repairs and Maintenance	10,542	-	-	10,542
Trash Removal	16,344	-	-	16,344
Other Expenses	5,148	472	-	5,620
Advertising	4,897	1,000	-	5,897
Computer Expense	24,796	-	-	24,796
Internet Expense	8,909	-	1,000	9,909
Bank Charges	1,016	-	-	1,016
Rent Expense	118,925	-	-	118,925
Sales Expense	469	-	-	469
Dues and Subscriptions	2,110	-	-	2,110
Bad Debts	14,084	-	-	14,084
Total Operating Expense	\$ 1,511,163	\$ 137,570	\$ 157,331	\$ 1,806,064

The accompanying notes are an integral part of this statement.

BAKER INDUSTRIES, INC.
COMPARATIVE STATEMENT OF CASH FLOWS
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Fund Balance	\$ 233,449	\$ 163,576
Adjustments to Reconcile Changes to Net Cash Flows Provided by Operating Activities:		
Depreciation	113,026	114,842
Allowance for Doubtful Accounts	9,500	(21,023)
Gain on Sale of Asset	-	(15,000)
Unrealized Gain on Marketable Securities	(116,647)	(102,261)
(Increase) Decrease in:		
Accounts Receivable	49,839	180,479
Prepaid Expenses	1,423	24,765
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	138,300	5,000
Payroll and Sales Tax Liabilities	(25,000)	(19,161)
Net Cash Flows Provided by Operating Activities	<u>403,890</u>	<u>331,217</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(63,062)	(357,658)
Disposition of Property and Equipment	-	15,000
(Increase) Decrease in Marketable Securities	(471,488)	(499,833)
Net Cash Flows Used in Investing Activities	<u>(534,550)</u>	<u>(842,491)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan Payable - PPP Loan	123,197	118,400
Forgiveness of Loan Payable - PPP Loan	(118,400)	-
Repayments of Loan Payable - Auto	-	(6,708)
Net Cash Flows Provided by (Used in) Financing Activities	<u>4,797</u>	<u>111,692</u>
NET DECREASE IN CASH	(125,863)	(399,582)
CASH - BEGINNING OF YEAR	<u>895,710</u>	<u>1,295,292</u>
CASH - END OF YEAR	<u>\$ 769,847</u>	<u>\$ 895,710</u>
SUPPLEMENTAL DISCLOSURES		
Cash Paid During the Year for Interest	<u>\$ -</u>	<u>\$ 608</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

Organization

Baker Industries, Inc. (the Organization) is a nonprofit entity incorporated on May 8, 1989 under the laws of the Commonwealth of Pennsylvania for the purpose of organizing and operating work rehabilitation programs for handicapped and homeless people (referenced herein as “Participants”). The Organization primarily services customers with operations in Southeastern Pennsylvania and is managed by a full time administrative staff.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized when earned, and expenses are recognized when the obligations are incurred.

Change in Accounting Policies

The Organization has adopted FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new standard prescribes a single model for revenue recognition. The adoption of ASC 606 did not have a significant impact on the Organization’s financial statements or disclosures for the year ended December 31, 2021 and no reclassification of prior year amounts are required.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenses

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets by fulfillment of the donor-stipulated purpose or by passage of time period are reported as reclassifications between the applicable classes of net assets.

Donated Services

The Organization receives donated services from a variety of unpaid volunteers who assist the Organization in a number of capacities. The Organization received no services that were required to be reported under SFAS No. 116.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of support and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits, certificates of deposit and marketable securities with original maturities of less than 90 days. The carrying value of cash and cash equivalents approximate fair value because of the short maturities of those financial instruments.

Accounts Receivable

The Organization charges income with doubtful accounts when they are considered uncollectible. Accounts receivable are presented net of an allowance for doubtful accounts of \$21,734 and \$12,234 at December 31, 2021 and 2020, respectively.

Property and Equipment

Capital additions are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Maintenance, repairs and minor renewals are charged to operations as incurred. Depreciation is provided over the estimated useful lives of assets by the straight-line method. The estimated useful lives of the various classes of assets are:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	<u>Range in Years</u>
Building	39
Building Improvements	5 - 39
Equipment	5 - 7
Vehicles	5

Income Taxes

The Organization is a not-for-profit organization exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and files Form 990. The federal Exempt Organization Business Income Tax Returns for 2020, 2019 and 2018 remain subject to examination by the Internal Revenue Service.

Recently Issued Accounting Pronouncements – Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02 “Leases”. The amendment requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. ASU 2016-02 will also require disclosures to clarify the amount, timing and uncertainty of cash flows arising from leases. The new standard is effective for fiscal years beginning after December 15, 2021 and early application is permitted. The Organization is currently assessing the impact that this standard may have on its financial statements.

Subsequent Events

The Organization evaluated subsequent events for recognition or disclosure through April 1, 2022, the date the financial statements were issued.

3. MARKETABLE SECURITIES

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at the fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Marketable Securities consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Vanguard Total Stock Market Index	\$ 798,537	\$ 499,588
Vanguard Short-Term Bond Fund	1,231,009	941,823
Total Marketable Securities	<u>\$ 2,029,546</u>	<u>\$ 1,441,411</u>

4. LOANS PAYABLE – PPP LOAN

The Organization received \$123,197 and \$118,400 Paycheck Protection Program (PPP) loans from the SBA during the years ended December 31, 2021 and 2020. The loans convert to a grant when the Organization has used the funds for certain expenses. The SBA has forgiven \$118,400 during the year ended December 31, 2021.

5. 457(b) PLAN

The Organization has adopted a salary reduction contribution and employer contribution retirement plan. The plan adopted by the employer is Baker Industries 457 Plan. This plan provides management and select members of the senior staff who complete three months of consecutive service eligibility into the plan. The Organization has the discretion of matching a percentage of each participants salary reduction contribution. Contributions made into the plan for the years ended December 31, 2021 and 2020 were \$23,529 and \$14,382, respectively.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are categorized based upon the following characteristics or inputs to the valuation techniques:

Level 1 – Quoted prices are available in the active markets for identical assets or liabilities as of the reported date.

Level 2 – Pricing inputs are other than quoted prices in active markets for identical assets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the use of observable market data when available.

The Organization measures its investments at fair value on a recurring basis. These items were measured with the following inputs at December 31, 2021 and 2020.

	December 31, 2020			
	Level 1	Level 2	Level 3	Fair Value
Mutual Funds - Bonds	\$ 941,823	\$ -	\$ -	\$ 941,823
Mutual Funds - Stocks	499,588	-	-	499,588
Total	<u>\$ 1,441,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,441,411</u>
	December 31, 2021			
	Level 1	Level 2	Level 3	Fair Value
Mutual Funds - Bonds	\$1,231,009	\$ -	\$ -	\$1,231,009
Mutual Funds - Stocks	798,537	-	-	798,537
Total	<u>\$2,029,546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,029,546</u>

7. AVAILABILITY OF FINANCIAL ASSETS

The Organization maintains its cash in various short-term investments to meet the cash needs for general expenditures. The Organization maintains marketable securities in which various long term and short-term investments are held. The Organization considers the marketable securities available for use within one year of the statement of financial position date to meet cash needs for general expenditures if necessary.

The Organizations' financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 769,847
Marketable Securities	2,029,546
Accounts Receivable	<u>58,827</u>
Financial assets available for general expenditures within one year	<u><u>\$ 2,858,220</u></u>

8. LEASE COMMITMENTS

The Organization leases various equipment and its Philadelphia location. Minimum lease payments over the next 5 years for the year ended December 31 is as follows:

2022	\$ 124,432
2023	126,920
2024	129,459
2025	132,048
2026	-
Total	<u><u>\$ 512,859</u></u>

9. CONTINGENCIES - IRS

The Organization has received notices from the IRS regarding potential penalties for failure to comply with the provisions of the Affordable Care Act (ACA) for the year 2016. The Organization has appealed the notices and has requested that an IRS Revenue Officer be assigned to the case.

The Organization has engaged legal counsel for the matter and counsel has preliminarily advised that it is likely the IRS will find the Organization liable for certain penalties in 2016, and may review the Organization for non-compliance for the years 2017 to 2020.

The IRS initially proposed a penalty of approximately \$134,000 for the 2016 calendar year, which amount increases periodically due to the imposition of additional interest and penalties. The Organization reasonably believes that this initial proposed penalty amount will be reduced through discussion and negotiation with the IRS, and the final assessed penalty will be an insignificant amount of the Organization's assets and revenue. The Organization has accrued a \$143,300 liability during the year ended December 31, 2021.

10. CONCENTRATION OF CREDIT RISK

The Organization creates a credit risk by having on deposit with one financial institution funds in excess of federally insured limits (up to \$250,000). At December 31, 2021, the Organization had \$327,946 on deposit in excess of federally insured limits.