FINANCIAL STATEMENTS

DECEMBER 31, 2021



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Big Initiatives Incorporated (aka Big Reuse)

Opinion

We have audited the accompanying financial statements of Big Initiatives Incorporated (aka Big Reuse) (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 Big Initiatives Incorporated (aka Big Reuse) as of December 31, 2021, and the changes in its 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Initiatives Incorporated (aka Big Reuse) 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 Big Initiatives Incorporated's (aka Big Reuse) ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Luts + Can, LLP

New York, New York February 17, 2023

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

Assets Cash and cash equivalents (Notes 1c and 3) Government contracts receivable (Notes 1d and 7a) Prepaid expenses and other assets Inventory (Notes 1d and 1e) Property and equipment, net (Notes 1f and 4) Security deposit	\$ 260,101 1,174,577 71,309 187,897 82,344 79,475
Total Assets	\$1,855,703
Liabilities and Net Assets	
Liabilities Loans payable and line of credit (Notes 5 and 6)	\$ 697,162
Accounts payable and accrued expenses	326,758
Deferred rent	322,246
Deferred revenue (Note 1g)	8,947
Security deposit	4,800
Total Liabilities	1,359,913
Commitments (Notes 6, 7 and 8)	
Net Assets	
Without donor restrictions	495,790
Total Liabilities and Net Assets	\$1,855,703

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

Changes in Net Assets Without Donor Restrictions	
Revenue and Other Support	
Donated goods (Note 1d)	\$1,363,016
Contributions	38,579
Loan forgiveness - Paycheck Protection Program (Note 5a)	305,900
Sale of donated goods (Note 1d)	1,363,016
Government contract revenue - New York City Department	
of Sanitation (Note 7a)	1,793,990
Facilities rental	48,763
Total Revenue and Support	4,913,264
Expenses	
Program Services	
Reuse Center	2,636,193
Compost	1,243,849
Organics Outreach	309,608
Total Program Services	4,189,650
Supporting Services	
Management and general	209,054
Total Expenses	4,398,704
Increase in Net Assets	514,560
Net assets, beginning of year, as previously reported	81,687
Prior period adjustments (Note 9)	(100,457)
Net assets, beginning of year, as restated	(18,770)
Net Assets, End of Year	\$ 495,790

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

		Program	Services		Supporting Services	
	Reuse		Organics		Management	Total
	Center	Compost	Outreach	Total	and General	Expenses
Salaries	\$ 481,769	\$ 515,260	\$209,673	\$1,206,702	\$ 146,141	\$1,352,843
Payroll taxes and fringe benefits	99,702	90,045	43,520	233,267	34,825	268,092
Subcontractors (Note 7d)	=	246,433	-	246,433	-	246,433
Cost of goods sold - donated goods (Note 1d)	1,363,016	-	-	1,363,016	-	1,363,016
Cost of goods sold - direct costs	27,683	-	-	27,683	-	27,683
Occupancy	477,645	36,042	14,033	527,720	11,183	538,903
Auto and truck	8,368	155,976	21,439	185,783	-	185,783
Tools, supplies, repair and maintenance	52,712	118,904	10,103	181,719	77	181,796
Insurance	22,345	59,267	3,466	85,078	3,582	88,660
Professional fees	=	-	-	-	5,820	5,820
Office expenses	5,883	3,807	1,173	10,863	4,720	15,583
Travel	4,130	4,163	1,800	10,093	385	10,478
Utilities	16,307	1,137	301	17,745	374	18,119
Advertising	1,405	3,999	726	6,130	-	6,130
Interest	9,244	7,431	-	16,675	-	16,675
Other expenses	55,398	914	2,903	59,215	1,712	60,927
Total expenses before depreciation	2,625,607	1,243,378	309,137	4,178,122	208,819	4,386,941
Depreciation	10,586	471	471	11,528	235	11,763
Total Expenses	\$2,636,193	\$1,243,849	\$309,608	\$4,189,650	\$ 209,054	\$4,398,704

See notes to financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

Cash Flows From Operating Activities Increase in net assets Adjustments to reconcile increase in net assets to net cash used by operating activities:	\$514,560
Depreciation	11,763
Forgiveness of loan payable - Paycheck Protection Program (Increase) decrease in:	(305,900)
Government contracts receivable	(793,937)
Prepaid expenses and other assets	(63,523)
Security deposit	367
Increase (decrease) in:	
Accounts payable and accrued expenses	292,154
Grants payable	(4,521)
Deferred rent	33,892
Deferred revenue	8,947
Net Cash Used By Operating Activities	(306,198)
Cash Flows From Financing Activities	
Proceeds from line of credit - FJC Bridge Loan	50,030
Proceeds from loan payable - Paycheck Protection Program	347,132
Net Cash Provided By Financing Activities	397,162
Net increase in cash and cash equivalents	90,964
Cash and cash equivalents, beginning of year	169,137
Cash and Cash Equivalents, End of Year	\$260,101
Supplemental Information	₾ 10 OFF
Interest paid	<u>\$ 10,855</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Big Initiatives Incorporated, also known as Big Reuse ("Big Reuse"), was incorporated under Section 402 of the Not for-Profit Corporation Law of the State of New York on March 12, 2014 and commenced operations of all aspects of its programs on August 1, 2015. Big Reuse was formed to protect the environment, reduce the impact of climate change and conserve natural resources and energy. Big Reuse achieves its charitable purpose by diverting materials from landfills. Big Reuse provides services, operates and participates in programs to deconstruct reusable building materials and provide services for the reuse of building materials by reselling salvaged building materials, appliances, furniture plus home goods, and provide the following services; running a community composting site, providing environmental outreach for The City of New York Department of Sanitation ("DSNY"), providing work force training programs, and developing zero waste environmental policies in furtherance of its mission.

b - Basis of Accounting

The accounting and reporting policies of Big Reuse conform to accounting principles generally accepted in the United States of America ("GAAP"), including recognition of revenues and expenses on the accrual basis of accounting.

c - Cash and Cash Equivalents

For purposes of the classification in the statement of financial position and presentation in the statement of cash flows, cash equivalents are defined as cash on hand, cash on deposit and money market funds not held for investment with maturities less than three months when acquired.

d - Contributions and Contributions Receivable

Contributions received are recorded at fair value as an unconditional promise to give or when a notification of a beneficial interest is received. Unconditional promises to give are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Big Reuse received revenue under cost-reimbursement government contracts which are conditioned upon incurring allowable qualifying expenses. Amounts are recognized as revenue when Big Reuse has incurred expenditures in compliance with specific contract provisions.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Contributions and Contributions Receivable (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as a component of satisfaction of program restrictions. Restrictions satisfied in the same year are considered net assets without donor restrictions. Donated goods consisting of furniture, clothing, media and other household items are recorded as revenue and capitalized as inventory. Upon the sale of these goods, the inventory is relieved and a related cost of goods sold expense is recognized.

Big Reuse uses the allowance method to determine uncollectible promises to give. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

e - Inventory

Inventory consists of donated goods, stated at the estimated fair value at the time donated. Fair value is determined using sales history and as such approximates the actual sales price of the donated items.

f - Property and Equipment

Property and equipment are stated at cost and are being depreciated using the straight-line method over the estimated useful lives of the assets.

g - Deferred Rent

Big Reuse records rent expense on a straight-line basis over the life of the respective lease (Note 8). The difference between the straight-line amount and the amount actually paid during the year is recorded as deferred rent in the accompanying financial statements.

h - Revenue Recognition

Reuse Center sales revenue is accounted for as an exchange transaction and is recognized as revenue when the customer takes possession of the goods at Big Reuse's retail location. Deferred revenue consists primarily of gift certificates and customer credits to be used for future sales.

i - Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$6,130 in 2021.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

j - Financial Statement Presentation

The financial statements of Big Reuse have been prepared in accordance with GAAP, which require Big Reuse to report information regarding its financial position and activities according to the following net asset classifications:

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 Big Reuse. These net assets may be used at the discretion of Big Reuse's management and Board of Directors.

Net Assets With Donor Restrictions

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

k - Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

I - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis as determined by management. A substantial portion of Big Reuse's expenses are directly related to program activities. The expenses that are allocated include salaries, taxes and fringe benefits, office and other overhead expenses, which are allocated based on an estimate of employee time and effort, and insurance, depreciation and utilities and other occupancy costs, which are allocated based on square footage. In 2021, Big Reuse conducted no active fundraising efforts and, accordingly, no fundraising expenses are reported in the accompanying financial statements.

m - Tax Status

Big Initiatives Incorporated is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

n - Subsequent Events

Big Reuse has evaluated subsequent events through February 17, 2023, the date that the financial statements are considered available to be issued.

o - New Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases ("Topic 842")*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Big Reuse is currently evaluating the impact of ASU 2016-02 on its financial statements.

Note 2 - Information Regarding Liquidity and Availability

Big Reuse manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of Big Reuse are expected to be met on a monthly basis from its available financial assets.

Big Reuse's financial assets as of December 31, 2021 available to meet cash needs for general expenditures within one year are summarized as follows:

Financial Assets at Year End:

Cash and cash equivalents \$ 260,101 Government contracts receivable \$ 1,174,577

Financial Assets Available to Meet General

Expenditures within One Year \$1,434,678

Big Reuse also has a line of credit, as more fully described in Note 6, available to meet short-term or unanticipated liquidity needs.

Note 3 - Concentration of Credit Risk

Big Reuse's cash is maintained in a financial institution in New York, which is insured by the Federal Deposit Insurance Corporation up to \$250,000.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 4 - Property and Equipment

Property and equipment consist of the following at December 31, 2021:

	<u>Life</u>	<u>Amount</u>
Leasehold improvements Less: Accumulated depreciation	10 years	\$113,443 <u>(31,099</u>)
		<u>\$ 82,344</u>

DSNY has funded several vehicle purchases necessary for Big Reuse's program activities. During the year ended December 31, 2022, DSNY reimbursed Big Reuse \$119,338 for the purchase of two vehicles. All purchased vehicles are the property of DSNY, and are not capitalized as assets in the accompanying statement of financial position.

Note 5 - Loans Payable

- a On April 20, 2020, Big Reuse received a loan totaling \$305,900 under the Paycheck Protection Program administered by the U.S Small Business Administration. The loan bore interest at 1% per annum, was due on April 20, 2022, and could be forgiven if Big Reuse met certain employee retention requirements and the funds were used for eligible expenses. In December 2021, the full amount of the loan was forgiven and was accordingly recognized as revenue in the accompanying statement of activity.
- b On February 23, 2021, Big Reuse received a second loan totaling \$347,132 under the Paycheck Protection Program administered by the U.S Small Business Administration. The loan bears interest at 1% per annum, is due on February 23, 2026, and may be forgiven if Big Reuse meets certain employee retention requirements and the funds are used for eligible expenses. The full amount of the loan was forgiven in 2022.
- c On July 7, 2020, Big Reuse received an Economic Injury Disaster loan from the Small Business Administration totaling \$150,000. The loan bears interest at 2.75% per annum and monthly payments of principal and interest of \$641, commenced in July 2021 and continue through July 7, 2050. Interest expense for 2021 totalled \$9,211.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 5 - Loans Payable (continued)

c - (continued)

Principal payments on the loan are due as follows:

Year Ending December 31,		
2022	\$	3,554
2023		3,653
2024		3,754
2025		3,859
2026		3,967
Thereafter, through July 7, 2050	1	31,213

Note 6 - Line of Credit

Effective May 8, 2019, Big Reuse entered into a \$450,000 revolving credit loan agreement with FJC, maturing May 8, 2023. On September 18, 2019, the amount was increased to \$550,000. The line of credit is secured by the proceeds of the DSNY contract (Note 7a) and any rental income received, and bears a rate of interest at prime rate plus 3%. Interest is payable monthly. As of December 31, 2021, \$200,030 was payable. Interest expense for 2021 totaled \$7,356.

Note 7 - Agreements with The City of New York and Other Commitments

- a Effective June 1, 2019, Big Reuse was awarded a five-year grant contract with DSNY totaling \$5.2 million, to fund the operation of compost and educational facilities, produce and provide compost to New Yorkers, provide educational programming, and to support for community composting operations. For the year ended December 31, 2021, approximately \$1.8 million was earned and recognized as revenue under this grant contract. Through December 31, 2021, a total of approximately \$2.6 million has been recognized and earned. The remaining \$2.6 million is conditional on incurring qualifying expense and accordingly, has not been recognized in the accompanying financial statements. Effective January 24, 2023, Big Reuse was awarded an additional \$4,744,152 of contract funds.
- b Under a license agreement with DSNY, Big Reuse uses premises in Brooklyn, New York, to manage, maintain, repair, operate, program, and beautify a community composting site. The agreement with DSNY expired in December 2022, and Big Reuse is expects to negotiate an extension of the agreement.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

Note 7 - Agreements with The City of New York and Other Commitments (continued)

- c Under a license agreement with The City of New York Parks & Recreation ("Parks"), Big Reuse uses premises in Queens, New York, to manage, maintain, repair, operate, program, and beautify a community composting site. The agreement with Parks expires in December 2023.
- d Big Reuse has entered into sub-contracts with the New York Botanical Garden and the Queens Botanical Garden, as of July 1, 2021, to operate compost sites and related community programs. These initial contracts expired June 30, 2022, and were subsequently renewed through June 30, 2023.

Note 8 - Lease Commitment

Big Reuse occupies retail and office space under a lease agreement with a term that commenced in February 6, 2019 and ends January 31, 2029.

The future minimum annual obligation under its lease agreement is as follows:

Year Ending December 31,		
2022	\$	501,434
2023		516,477
2024		531,972
2025		547,931
2026		564,369
Thereafter	1	.348.508

Rent expense under this lease was \$538,903 for the year ended December 31, 2021. In connection with this lease, a security deposit of \$76,667 is required.

Note 9 - Prior Period Adjustments

Net assets as of January 1, 2021 were restated for the following:

	Without Donor <u>Restrictions</u>
To reflect donated inventory not previously recognized as an asset	\$ 187,897
To reflect deferred rent not previously recognized as a liability	(288,354)
	<u>\$(100,457</u>)