

BIG INITIATIVES INCORPORATED
(aka BIG REUSE)

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Initiatives Incorporated (aka Big Reuse) as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

New York, New York
September 15, 2023

BIG INITIATIVES INCORPORATED
(aka BIG REUSE)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents (Notes 1c and 3)	\$ 269,649	\$ 260,101
Contributions receivable (Note 1d)	2,798	-
Government contracts receivable (Notes 1d and 7a)	1,283,028	1,174,577
Prepaid expenses and other assets	41,223	71,309
Operating lease right-of-use asset (Notes 1g, 1n and 8)	6,231,690	-
Inventory (Notes 1d and 1e)	192,263	187,897
Property and equipment, net (Notes 1f and 4)	123,352	82,344
Security deposit	77,921	79,475
	<u>77,921</u>	<u>79,475</u>
Total Assets	<u><u>\$8,221,924</u></u>	<u><u>\$1,855,703</u></u>
Liabilities and Net Assets		
Liabilities		
Loans payable and line of credit (Notes 5 and 6)	\$ 200,324	\$ 697,162
Accounts payable and accrued expenses	535,407	326,758
Deferred rent	-	322,246
Operating lease liability (Notes 1g, 1n and 8)	6,680,212	-
Deferred revenue (Note 1h)	12,979	8,947
Security deposit	4,800	4,800
Total Liabilities	<u>7,433,722</u>	<u>1,359,913</u>
Commitments (Notes 6, 7 and 9)		
Net Assets		
Without donor restrictions	<u>788,202</u>	<u>495,790</u>
Total Liabilities and Net Assets	<u><u>\$8,221,924</u></u>	<u><u>\$1,855,703</u></u>

See notes to financial statements.

BIG INITIATIVES INCORPORATED
(aka BIG REUSE)

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions		
Revenue and Other Support		
Donated goods (Note 1d)	\$1,517,007	\$1,363,016
Contributions	52,789	38,579
Loan forgiveness - Paycheck Protection Program (Notes 5a and 5b)	347,132	305,900
Sale of donated goods (Note 1d)	1,512,640	1,363,016
Government contract revenue - New York City Department of Sanitation (Note 7a)	2,857,370	1,793,990
Sublease income (Note 7e)	58,535	48,763
Other income	1,499	-
	<u>6,346,972</u>	<u>4,913,264</u>
Expenses		
Program Services		
Reuse Center	3,042,665	2,636,193
Compost	1,808,554	1,243,849
Organics Outreach	680,754	309,608
Compost Application	15,059	-
Total Program Services	<u>5,547,032</u>	<u>4,189,650</u>
Supporting Services		
Management and general	454,989	209,054
Fundraising	52,539	-
Total Support Services	<u>507,528</u>	<u>209,054</u>
Total Expenses	<u>6,054,560</u>	<u>4,398,704</u>
Increase in net assets	292,412	514,560
Net assets (deficit), beginning of year	<u>495,790</u>	<u>(18,770)</u>
Net Assets, End of Year	<u><u>\$ 788,202</u></u>	<u><u>\$ 495,790</u></u>

See notes to financial statements.

BIG INITIATIVES INCORPORATED
(aka BIG REUSE)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022					2021			Total Expenses	Total Expenses
	Program Services				Total	Supporting Services		Total Expenses		
	Reuse Center	Compost	Organics Outreach	Compost Application		Management and General	Fundraising			
Salaries	\$ 558,467	\$ 600,783	\$466,380	\$ 11,730	\$1,637,360	\$ 306,235	\$ 50,043	\$356,278	\$1,993,638	\$1,352,843
Payroll taxes and fringe benefits	135,762	161,895	109,639	3,247	410,543	87,179	2,496	89,675	500,218	268,092
Subcontractors (Note 7d)	-	737,744	-	-	737,744	-	-	-	737,744	246,433
Cost of goods sold - donated goods (Note 1d)	1,512,641	-	-	-	1,512,641	-	-	-	1,512,641	1,363,016
Cost of goods sold - direct costs	92,937	-	-	-	92,937	-	-	-	92,937	27,683
Occupancy	566,329	33,281	33,281	-	632,891	13,410	-	13,410	646,301	538,903
Auto and truck	8,768	48,963	37,059	-	94,790	-	-	-	94,790	185,783
Tools, supplies, repair and maintenance	75,532	94,632	15,902	-	186,066	323	-	323	186,389	181,796
Insurance	32,213	94,476	6,381	82	133,152	5,367	-	5,367	138,519	88,660
Professional fees	-	-	-	-	-	21,608	-	21,608	21,608	5,820
Office expenses	5,962	2,742	5,311	-	14,015	10,594	-	10,594	24,609	15,583
Travel	6,958	8,139	975	-	16,072	1,144	-	1,144	17,216	10,478
Utilities	14,325	634	568	-	15,527	384	-	384	15,911	18,119
Marketing and promotion	2,022	5,874	2,590	-	10,486	5,990	-	5,990	16,476	6,130
Interest	4,772	16,675	-	-	21,447	-	-	-	21,447	16,675
Other expenses	3,517	1,718	1,670	-	6,905	2,255	-	2,255	9,160	60,927
Total expenses before depreciation	3,020,205	1,807,556	679,756	15,059	5,522,576	454,489	52,539	507,028	6,029,604	4,386,941
Depreciation	22,460	998	998	-	24,456	500	-	500	24,956	11,763
Total Expenses, 2022	<u>\$3,042,665</u>	<u>\$1,808,554</u>	<u>\$680,754</u>	<u>\$ 15,059</u>	<u>\$5,547,032</u>	<u>\$ 454,989</u>	<u>\$ 52,539</u>	<u>\$507,528</u>	<u>\$6,054,560</u>	
Total Expenses, 2021	<u>\$2,636,193</u>	<u>\$1,243,849</u>	<u>\$309,608</u>	<u>\$ -</u>	<u>\$4,189,650</u>	<u>\$ 209,054</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$4,398,704</u>

See notes to financial statements.

BIG INITIATIVES INCORPORATED
(aka BIG REUSE)

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services			Total	Supporting Services	Total Expenses
	Reuse Center	Compost	Organics Outreach		Management and General	
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
Marketing and promotion	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	<u>\$2,636,193</u>	<u>\$1,243,849</u>	<u>\$309,608</u>	<u>\$4,189,650</u>	<u>\$ 209,054</u>	<u>\$4,398,704</u>

See notes to financial statements.

BIG INITIATIVES INCORPORATED
(aka BIG REUSE)

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 292,412	\$514,560
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Non-cash operating lease expense	538,102	-
Depreciation	24,956	11,763
Forgiveness of loan payable - Paycheck Protection Program	(347,132)	(305,900)
(Increase) decrease in:		
Contributions receivable	(2,798)	-
Government contracts receivable	(108,451)	(793,937)
Prepaid expenses and other assets	30,086	(63,523)
Inventory	(4,366)	-
Security deposit	1,554	367
Increase (decrease) in:		
Accounts payable and accrued expenses	208,649	292,154
Grants payable	-	(4,521)
Deferred rent	-	33,892
Operating lease liability	(411,826)	-
Deferred revenue	4,032	8,947
Net Cash Provided (Used) By Operating Activities	<u>225,218</u>	<u>(306,198)</u>
Cash Flows From Financing Activities		
Proceeds from line of credit	350,000	50,030
Payments of loan payable and line of credit	(565,670)	-
Proceeds from loan payable - Paycheck Protection Program	-	347,132
Net Cash Provided (Used) By Financing Activities	<u>(215,670)</u>	<u>397,162</u>
Net increase in cash and cash equivalents	9,548	90,964
Cash and cash equivalents, beginning of year	<u>260,101</u>	<u>169,137</u>
Cash and Cash Equivalents, End of Year	<u>\$ 269,649</u>	<u>\$260,101</u>
Supplemental Information		
Interest paid	<u>\$ 21,447</u>	<u>\$ 10,855</u>
Operating lease right-of-use asset obtained in exchange for lease liability	<u>\$6,769,782</u>	<u>\$ -</u>
Vehicle purchased with note payable funds	<u>\$ 65,964</u>	<u>\$ -</u>

See notes to financial statements.

BIG INITIATIVES INCORPORATED
(aka BIG REUSE)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 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 receives contribution 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.

BIG INITIATIVES INCORPORATED
(aka BIG REUSE)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 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 - Operating Lease Right-of-Use Asset and Operating Lease Liability

For lease with an initial term greater than twelve months, Big Reuse's operating lease liability is initially recorded at the present value of the unpaid lease payments as of January 1, 2022. Big Reuse's operating lease right-of-use asset is initially recorded at the carrying amount of the lease liability adjusted for initial direct costs, accruals, deferred rent liability and lease incentives, if any. Operating lease cost is recognized on a straight-line basis over the lease term.

For 2021, rent expense was recorded on a straight-line basis over the life of the lease. The difference between the straight-line amount and the amount actually paid during the year was recorded as a liability and an expense 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.

BIG INITIATIVES INCORPORATED
(aka BIG REUSE)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

i - 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.

j - 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.

k - 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.

l - 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.

BIG INITIATIVES INCORPORATED
(aka **BIG REUSE**)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

m - Subsequent Events

Big Reuse has evaluated subsequent events through September 15, 2023, the date that the financial statements are considered available to be issued.

n - New Accounting Standard

During 2022, Big Reuse adopted ASU 2016-02, *Leases* (“*Topic 842*”). The core principles of ASU 2016-02 (the “ASU”) change the way organizations 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. As such, results for 2022 are presented under Topic 842, while results for 2021 continue to be reported in accordance with historical accounting practices. The adoption of the ASU did not have a significant impact on Big Reuse's net assets as of January 1, 2022.

As part of the adoption of the ASU, Big Reuse elected to apply the modified retrospective transition approach as of the date of initial application without restating comparative period financial statements, to use a risk-free rate, equal to the five-year Treasury Bill rate for the discount of the operating lease and to apply the practical expedients which allows Big Reuse to not reassess (i) whether any expired or existing contracts are leases or contain leases (ii) the lease classification for any expired or existing leases (iii) initial direct costs for any existing leases.

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, available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 269,649	\$ 260,101
Contributions receivable	2,798	-
Government contracts receivable	<u>1,283,028</u>	<u>1,174,577</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$1,555,475</u>	<u>\$1,434,678</u>

BIG INITIATIVES INCORPORATED
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 2 - Information Regarding Liquidity and Availability (continued)

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.

Note 4 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2022</u>	<u>2021</u>
Leasehold improvements	10 years	\$113,443	\$113,443
Vehicle	5 years	<u>65,964</u>	<u>-</u>
		179,407	113,443
Less: Accumulated depreciation		<u>(56,055)</u>	<u>(31,099)</u>
		<u>\$123,352</u>	<u>\$ 82,344</u>

DSNY has funded several vehicle purchases necessary for Big Reuse's program activities. During the year ended December 31, 2021, DSNY reimbursed Big Reuse \$119,338 for the purchase of two vehicles. All purchased vehicles funded by DSNY 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 activities.

BIG INITIATIVES INCORPORATED
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 5 - Loans Payable (continued)

- 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. In February 2022, the full amount of the loan was forgiven and was accordingly recognized as revenue in the accompanying statement of activities.
- 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 2022 totalled \$9,211.
- d - On January 14, 2022, Big Reuse received a loan of \$65,964 for a truck purchase. The loan bears interest at 6.95% per annum and monthly payments of principal and interest of \$1,569, commenced in January 2022 and continue through December 2025. Interest expense for 2022 totalled \$3,715.

Principal payments on the loans are due as follows:

<u>Year Ending December 31,</u>	
2023	\$ 26,520
2024	26,520
2025	20,887
2026	7,692
2027	7,692
Thereafter, through July 7, 2050	110,122

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, 2022 and 2021, \$891 and \$200,030, respectively, was payable. Interest expense for 2022 and 2021 totalled \$15,545 and \$7,356, respectively.

BIG INITIATIVES INCORPORATED
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NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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 years ended December 31, 2022 and 2021, approximately \$2.9 (2022) and \$1.8 (2021) million was earned and recognized as revenue under this grant contract. The remaining portion of this grant 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.
- 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.
- e - On January 1, 2019, Big Reuse entered into a verbal sublease arrangement with a third party which will continue on a month-to-month basis.

Note 8 - Operating Lease Liability

Big Reuse occupies space under an operating lease agreement with an initial term through September 30, 2028, and with a five-year renewal option.

Operating lease expense for the year ended December 31, 2022 was \$632,703. There were no variable lease costs incurred. As of December 31, 2022, the remaining term of Big Reuse's operating lease is 129 months and the discount rate is 1.37%.

BIG INITIATIVES INCORPORATED
(aka BIG REUSE)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 8 - Operating Lease Liability (continued)

Maturities of Big Reuse's operating lease liability as of December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 521,622
2024	537,267
2025	553,383
2026	569,985
2027	587,088
Thereafter, through Sept 30, 2033	<u>4,480,729</u>
	7,250,074
Less: Amount attributable to interest	<u>(569,862)</u>
	<u>\$6,680,212</u>

Note 9 - Retirement Plan

Effective January 1, 2022, Big Reuse adopted a 401(k) defined contribution plan. The plan covers all eligible full-time employees who have completed three months of service. The plan provides for discretionary matching contributions and discretionary non-elective contributions. For the year ended December 31, 2022, expense under this plan totaled \$172,249.

Note 10 - Subsequent Event

The Coronavirus Aid, Relief and Economic Security ("CARES") Act enacted in 2020 allowed eligible employers to claim employee retention tax credits for qualified wages. In 2023, Big Reuse completed an analysis of the CARES Act programs and determined that it was eligible to receive approximately \$337,000 (net of professional fees) based on partially suspended operations due to government mandated closures and a decrease in gross receipts. Big Reuse received this credit in 2023.