

**PREVENTION EDUCATION, INC. T/A PEI KIDS**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Prevention Education, Inc. T/A PEI Kids  
Lawrenceville, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of PREVENTION EDUCATION, INC. T/A PEI KIDS (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider 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 previously present fairly, in all material respects, the financial position of Prevention Education, Inc. T/A PEI Kids as of December 31, 2018 and 2017, 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.

### ***Other Matters***

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by the State of New Jersey Department of Children and Families, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2019, on our consideration of Prevention Education, Inc. T/A PEI Kids' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Prevention Education, Inc. T/A PEI Kids' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Prevention Education, Inc. T/A PEI Kids' internal control over financial reporting and compliance.

*Klatzkin & Company, LLP*

KLATZKIN & COMPANY<sub>LLP</sub>

Hamilton, New Jersey  
April 29, 2019

**PREVENTION EDUCATION, INC. T/A PEI KIDS**

**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>ASSETS</b>		
<b><u>Assets</u></b>		
Cash and Cash Equivalents.....	\$ 103,886	\$ 157,977
Accounts Receivable.....	104,790	57,127
Prepaid Expenses.....	23,209	21,199
Beneficial Interest in Assets Held by a Community Foundation - Endowment Fund.....	25,309	25,184
Property and Equipment, Net of Accumulated Depreciation of \$506,286 and \$468,851.....	<u>644,892</u>	<u>682,327</u>
<b>TOTAL ASSETS.....</b>	<b><u>\$ 902,086</u></b>	<b><u>\$ 943,814</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b><u>Liabilities</u></b>		
Accounts Payable and Accrued Expenses.....	\$ 14,317	\$ 19,117
Deferred Revenue.....	4,761	-
Security Deposit.....	-	647
Line-of-Credit.....	25,000	-
Long Term Debt.....	<u>328,272</u>	<u>339,427</u>
<b>Total Liabilities.....</b>	<b><u>372,350</u></b>	<b><u>359,191</u></b>
<b><u>Net Assets</u></b>		
Without Donor Restrictions:		
Board Designated.....	390,383	416,009
Undesignated.....	<u>104,533</u>	<u>122,988</u>
Total Without Donor Restrictions.....	494,916	538,997
With Donor Restrictions.....	<u>34,820</u>	<u>45,626</u>
<b>Total Net Assets.....</b>	<b><u>529,736</u></b>	<b><u>584,623</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS.....</b>	<b><u>\$ 902,086</u></b>	<b><u>\$ 943,814</u></b>

The accompanying notes are an integral part of these financial statements.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2018**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>Revenue, Support, and Gains:</b>			
State Grants.....	\$ 499,158	\$ -	\$ 499,158
County Grants.....	129,200	-	129,200
Federal Grants.....	88,056	-	88,056
Program Fees.....	15,196	-	15,196
Special Events - Contributions and Revenue of \$147,760			
Special Events - Cost of Direct Benefits to Donors of \$54,411			
Net Revenues from Special Events.....	93,349	-	93,349
Contributions.....	208,066	34,820	242,886
Rental Income, Net of Expenses of \$12,438.....	8,649	-	8,649
Net Investment Return.....	261	-	261
<b>Total Revenue, Support, and Gains.....</b>	<b>1,041,935</b>	<b>34,820</b>	<b>1,076,755</b>
<b>Net Assets Released from Restrictions.....</b>	<b>45,626</b>	<b>(45,626)</b>	<b>-</b>
<b>Total Revenue, Support, and Gains, and Net Assets Released from Restrictions.....</b>	<b>1,087,561</b>	<b>(10,806)</b>	<b>1,076,755</b>
<b>Expenses:</b>			
Program Services:			
Prevention.....	158,924	-	158,924
Crisis Intervention.....	233,007	-	233,007
Supervised Family Visitation.....	240,319	-	240,319
Transportation Plus.....	87,784	-	87,784
Juvenile Intervention.....	138,646	-	138,646
<b>Total Program Services.....</b>	<b>858,680</b>	<b>-</b>	<b>858,680</b>
Supporting Services:			
Management and General.....	148,900	-	148,900
Fundraising.....	124,062	-	124,062
<b>Total Expenses.....</b>	<b>1,131,642</b>	<b>-</b>	<b>1,131,642</b>
<b>Change in Net Assets.....</b>	<b>(44,081)</b>	<b>(10,806)</b>	<b>(54,887)</b>
<b>Net Assets - Beginning of Year.....</b>	<b>538,997</b>	<b>45,626</b>	<b>584,623</b>
<b>Net Assets - End of Year.....</b>	<b>\$ 494,916</b>	<b>\$ 34,820</b>	<b>\$ 529,736</b>

The accompanying notes are an integral part of these financial statements.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2017**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>Revenue, Support, and Gains:</b>			
State Grants.....	\$ 469,722	\$ -	\$ 469,722
County Grants.....	129,200	-	129,200
Federal Grants.....	88,822	-	88,822
Program Fees.....	18,677	-	18,677
Special Events - Contributions and Revenue of \$131,575 Special Events - Cost of Direct Benefits to Donors of \$50,970 Net Revenues from Special Events.....	80,605	-	80,605
Contributions.....	238,588	45,626	284,214
Rental Income, Net of Expenses of \$12,608.....	16,216	-	16,216
Net Investment Return.....	<u>3,068</u>	<u>-</u>	<u>3,068</u>
<b>Total Revenue, Support, and Gains.....</b>	<b>1,044,898</b>	<b>45,626</b>	<b>1,090,524</b>
<b>Net Assets Released from Restrictions.....</b>	<b><u>17,500</u></b>	<b><u>(17,500)</u></b>	<b><u>-</u></b>
<b>Total Revenue, Support, and Gains, and Net Assets Released from Restrictions.....</b>	<b><u>1,062,398</u></b>	<b><u>28,126</u></b>	<b><u>1,090,524</u></b>
<b>Expenses:</b>			
Program Services:			
Prevention.....	174,993	-	174,993
Crisis Intervention.....	219,696	-	219,696
Supervised Family Visitation.....	230,838	-	230,838
Transportation Plus.....	84,436	-	84,436
Juvenile Intervention.....	<u>130,782</u>	<u>-</u>	<u>130,782</u>
Total Program Services.....	840,745	-	840,745
Supporting Services:			
Management and General.....	168,927	-	168,927
Fundraising.....	<u>123,869</u>	<u>-</u>	<u>123,869</u>
<b>Total Expenses.....</b>	<b><u>1,133,541</u></b>	<b><u>-</u></b>	<b><u>1,133,541</u></b>
<b>Change in Net Assets.....</b>	<b>(71,143)</b>	<b>28,126</b>	<b>(43,017)</b>
<b>Net Assets - Beginning of Year.....</b>	<b><u>610,140</u></b>	<b><u>17,500</u></b>	<b><u>627,640</u></b>
<b>Net Assets - End of Year.....</b>	<b><u>\$ 538,997</u></b>	<b><u>\$ 45,626</u></b>	<b><u>\$ 584,623</u></b>

The accompanying notes are an integral part of these financial statements.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2018**

	<u>Program</u>						<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>
	<u>Prevention</u>	<u>Crisis Intervention</u>	<u>Supervised Family Visitation</u>	<u>Transportation Plus</u>	<u>Juvenile Intervention</u>	<u>Total Program</u>			
<b>Personnel Expenses:</b>									
Salary and Wages.....	\$ 117,884	\$ 172,546	\$ 160,874	\$ 52,744	\$ 87,263	\$ 591,311	\$ 101,607	\$ 79,783	\$ 772,701
Payroll Taxes.....	10,232	14,615	13,921	4,329	7,244	50,341	8,333	6,445	65,119
Benefits.....	4,821	9,760	23,385	5,172	9,973	53,111	9,405	12,698	75,214
<b>Total Personnel Expenses.....</b>	<b>132,937</b>	<b>196,921</b>	<b>198,180</b>	<b>62,245</b>	<b>104,480</b>	<b>694,763</b>	<b>119,345</b>	<b>98,926</b>	<b>913,034</b>
<b>Other Functional Expenses:</b>									
Subcontractors.....	6,545	-	-	-	-	6,545	-	-	6,545
Program Expense.....	3,085	4,282	1,125	559	22,353	31,404	-	-	31,404
Vehicle Expenses.....	117	163	10,283	10,283	1,546	22,392	63	-	22,455
Facilities.....	3,297	10,032	7,299	1,798	1,208	23,634	6,652	2,355	32,641
Facilities - Rented Portion.....	-	-	-	-	-	-	12,438	-	12,438
Professional Fees.....	2,959	3,998	3,908	1,482	3,653	16,000	5,781	1,845	23,626
Office Expense.....	3,226	3,046	2,383	1,236	1,618	11,509	6,036	1,253	18,798
Insurance and Licensing.....	2,614	2,494	1,984	727	1,219	9,038	2,091	2,328	13,457
Telephone.....	942	1,257	2,253	2,253	1,468	8,173	942	628	9,743
Fundraising.....	-	-	-	-	-	-	-	14,458	14,458
Special Events - Direct Costs.....	-	-	-	-	-	-	-	54,411	54,411
Interest Expense.....	1,026	3,388	2,393	566	353	7,726	3,253	727	11,706
Depreciation.....	2,176	7,426	10,511	6,635	748	27,496	4,737	1,542	33,775
<b>Total Other Functional Expenses.....</b>	<b>25,987</b>	<b>36,086</b>	<b>42,139</b>	<b>25,539</b>	<b>34,166</b>	<b>163,917</b>	<b>41,993</b>	<b>79,547</b>	<b>285,457</b>
<b>Total Expenses.....</b>	<b>158,924</b>	<b>233,007</b>	<b>240,319</b>	<b>87,784</b>	<b>138,646</b>	<b>858,680</b>	<b>161,338</b>	<b>178,473</b>	<b>1,198,491</b>
Less Expenses Included with Revenues on the Statement of Activities:									
Cost of Direct Benefits to Donors.....	-	-	-	-	-	-	-	(54,411)	(54,411)
Rental Expenses.....	-	-	-	-	-	-	(12,438)	-	(12,438)
<b>Total Expenses Included in the Expense Section on the Statement of Activities.....</b>	<b>\$ 158,924</b>	<b>\$ 233,007</b>	<b>\$ 240,319</b>	<b>\$ 87,784</b>	<b>\$ 138,646</b>	<b>\$ 858,680</b>	<b>\$ 148,900</b>	<b>\$ 124,062</b>	<b>\$ 1,131,642</b>

The accompanying notes are an integral part of these financial statements.



**PREVENTION EDUCATION, INC. T/A PEI KIDS**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2017**

	Program						Management and General	Fundraising	2017 Total
	Prevention	Crisis Intervention	Supervised Family Visitation	Transportation Plus	Juvenile Intervention	Total Program			
<b>Personnel Expenses:</b>									
Salary and Wages.....	\$ 135,861	\$ 156,151	\$ 148,323	\$ 53,129	\$ 88,093	\$ 581,557	\$ 118,628	\$ 75,257	\$ 775,442
Payroll Taxes.....	12,382	13,802	13,103	4,750	7,711	51,748	10,125	6,372	68,245
Benefits.....	3,393	7,835	23,906	6,370	9,321	50,825	11,251	12,621	74,697
<b>Total Personnel Expenses.....</b>	<b>151,636</b>	<b>177,788</b>	<b>185,332</b>	<b>64,249</b>	<b>105,125</b>	<b>684,130</b>	<b>140,004</b>	<b>94,250</b>	<b>918,384</b>
<b>Other Functional Expenses:</b>									
Subcontractors.....	6,545	-	-	-	-	6,545	-	-	6,545
Program Expense.....	1,491	11,805	1,085	-	15,420	29,801	-	-	29,801
Vehicle Expenses.....	259	864	12,276	7,368	767	21,534	-	-	21,534
Facilities.....	2,820	9,197	6,527	1,553	979	21,076	6,265	2,000	29,341
Facilities - Rented Portion.....	-	-	-	-	-	-	12,608	-	12,608
Professional Fees.....	2,730	3,658	3,791	1,348	4,098	15,625	5,629	4,725	25,979
Office Expense.....	3,261	2,016	1,706	614	1,029	8,626	5,528	1,085	15,239
Insurance and Licensing.....	2,201	2,088	1,887	605	1,038	7,819	2,251	2,466	12,536
Telephone.....	819	1,228	1,913	1,447	1,216	6,623	1,223	819	8,665
Fundraising.....	-	-	-	-	-	-	-	16,236	16,236
Special Events - Direct Costs.....	-	-	-	-	-	-	-	50,970	50,970
Interest Expense.....	1,055	3,482	2,461	582	362	7,942	3,288	747	11,977
Depreciation.....	2,176	7,570	13,860	6,670	748	31,024	4,739	1,541	37,304
<b>Total Other Functional Expenses.....</b>	<b>23,357</b>	<b>41,908</b>	<b>45,506</b>	<b>20,187</b>	<b>25,657</b>	<b>156,615</b>	<b>41,531</b>	<b>80,589</b>	<b>278,735</b>
<b>Total Expenses.....</b>	<b>174,993</b>	<b>219,696</b>	<b>230,838</b>	<b>84,436</b>	<b>130,782</b>	<b>840,745</b>	<b>181,535</b>	<b>174,839</b>	<b>1,197,119</b>
Less Expenses Included with Revenues on the Statement of Activities:									
Cost of Direct Benefits to Donors.....	-	-	-	-	-	-	-	(50,970)	(50,970)
Rental Expenses.....	-	-	-	-	-	-	(12,608)	-	(12,608)
<b>Total Expenses Included in the Expense Section on the Statement of Activities.....</b>	<b>\$ 174,993</b>	<b>\$ 219,696</b>	<b>\$ 230,838</b>	<b>\$ 84,436</b>	<b>\$ 130,782</b>	<b>\$ 840,745</b>	<b>\$ 168,927</b>	<b>\$ 123,869</b>	<b>\$ 1,133,541</b>

The accompanying notes are an integral part of these financial statements.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Grants and Donors.....	\$ 1,033,592	\$ 1,145,141
Investment Income Received.....	136	148
Cash Paid to Employees and Vendors.....	(1,088,808)	(1,079,131)
Income Taxes Paid.....	(1,150)	(1,373)
Interest Paid.....	<u>(11,178)</u>	<u>(11,449)</u>
<b>Net Cash Provided by (Used in) Operating Activities.....</b>	<b><u>(67,408)</u></b>	<b><u>53,336</u></b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Borrowings on Line-of-Credit.....	25,000	60,000
Repayment of Line-of-Credit.....	-	(60,000)
Repayment of Long Term Debt.....	<u>(11,683)</u>	<u>(15,979)</u>
<b>Net Cash Provided by (Used in) Financing Activities.....</b>	<b><u>13,317</u></b>	<b><u>(15,979)</u></b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents.....</b>	<b>(54,091)</b>	<b>37,357</b>
<b>Cash and Cash Equivalents - Beginning of Year.....</b>	<b><u>157,977</u></b>	<b><u>120,620</u></b>
<b>Cash and Cash Equivalents - Ending of Year.....</b>	<b><u>\$ 103,886</u></b>	<b><u>\$ 157,977</u></b>

The accompanying notes are an integral part of these financial statements.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**

**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:</b>		
Change in Net Assets.....	\$ (54,887)	\$ (43,017)
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:</b>		
Depreciation.....	37,435	40,964
Amortization.....	528	528
Reinvested Investment Return.....	(125)	(2,920)
(Increase) Decrease in Accounts Receivable.....	(47,663)	63,441
(Increase) Decrease in Prepaid Expenses.....	(2,010)	(2,969)
Increase (Decrease) in Security Deposits.....	(647)	
Increase (Decrease) in Deferred Revenue.....	4,761	(5,756)
Increase (Decrease) in Accounts Payable and Accrued Expenses.....	<u>(4,800)</u>	<u>3,065</u>
<b>Net Cash Provided by (Used in) Operating Activities.....</b>	<b><u>\$ (67,408)</u></b>	<b><u>\$ 53,336</u></b>

**Supplemental Schedule of Noncash Investing and  
Financing Activities**

Net Investment Return Reinvested in Beneficial Interest in Assets Held By a Community Foundation - Endowment Fund.....	<u>\$ 125</u>	<u>\$ 2,920</u>
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The accompanying notes are an integral part of these financial statements.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 1. Nature of Organization**

Prevention Education, Inc. T/A PEI Kids ("Organization") is a nonprofit corporation dedicated to promoting and maintaining a safe environment for all children. The Organization works with the child, family, and caregivers to provide prevention, intervention, and advocacy programs regarding personal safety, sexual abuse, and the overall well-being of the child. The Organization's support comes primarily from government grants, contributions, and fundraising events.

The Organization's current programs include:

Prevention - Conducts interactive workshops designed to teach children topics ranging from individual rights, personal safety, and conflict resolution. Adult workshops familiarize staff and parents with program content and follow-up activities.

Crisis Intervention for Child Victims of Sexual Assault - Provides immediate, short-term counseling in Spanish and English for child victims who have made a disclosure, as well as parent, teen and youth support groups.

Supervised Family Visitation - A program that facilitates visits between children in foster care and their families. The program's ultimate goal is reunification or permanent placement.

Transportation Plus - A program which provides a means for children and their families under the care of NJ Department of Children and Families to be transported to appointments that directly affect their care and welfare.

Juvenile Intervention Services - Offers intensive programs intended to help redirect young offenders and youth, on the cusp of juvenile justice involvement, toward more positive approaches and pursuits.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Presentation:**

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organization 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 the Organization. These net assets may be used at the discretion of the Organization's management and Board of Trustees.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2. Summary of Significant Accounting Policies (Cont'd)**

**Basis of Presentation (Cont'd):**

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 passage of time. Other donors restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

**Management's Use of Estimates and Assumptions:**

Management uses estimates and assumptions in preparing its financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Cash and Cash Equivalents:**

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents, unless they are held in the pooled investment portfolio as endowments or agency endowments.

**Accounts Receivable:**

Accounts receivable consist of grants and program fees and are stated at unpaid balances. The Organization expects all amounts to be collected and, therefore, has not recorded a provision for doubtful accounts. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made.

**Pooled Investments Held by PACF:**

Investments are board designated funds invested with the Princeton Area Community Foundation ("PACF") and are stated at fair value in the Statements of Financial Position. All interest, dividends, and realized and unrealized gains and losses are reported net of investment expenses in the Statements of Activities as increases or decreases in net assets without donor restrictions.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2. Summary of Significant Accounting Policies (Cont'd)**

**Fair Value Measurements:**

Valuation techniques used to measure fair value are prioritized into the following hierarchy:

Level 1 - Determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 - Determined using quoted market prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market for substantially the full term of the assets or liabilities.

Level 3 - The fair value of the beneficial interest in assets held by a community foundation is based on the fair value of fund investments as reported by the community foundation.

**Property and Equipment and Depreciation:**

Property and equipment are stated at cost. The cost of the building and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method for financial reporting purposes. Equipment purchased with grant funds is capitalized and depreciated. However, for grant purposes they are reflected as period expenditures against the grant.

Maintenance and repairs are charged to operations when incurred. Capital expenditures less than \$1,000 are also charged to operating expenses in the period incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in the Statements of Activities.

Donations of property and equipment are recorded as support and capitalized at their estimated fair value at the date of donation. Such donations are recorded as unrestricted support, unless the donor has restricted the donated assets to specific purposes.

**Compensated Absences:**

Employees of the Organization are entitled to paid vacations, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when actually paid to employees.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2. Summary of Significant Accounting Policies (Cont'd)**

**Revenue and Support Recognition:**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are reflected as current promises to give and are recorded at their net realizable value.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied. Federal, state and county grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions as net assets released from restrictions.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the periods received.

Contributions of donated non-cash assets, such as property and equipment, are recorded at their fair values in the periods received. Such donations are reported as increases in net assets without donor restrictions 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 contributions. 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.

Program fees represent amounts earned under agreements with various municipal and county governments and other social service organizations. Revenues are recognized as the services are provided, based upon the service rates stipulated in each agreement.

Revenue from fundraising events is recognized when the event occurs. The amount of revenue in the Statements of Activities is shown net of the cost of direct benefits to donors.

Rental income is recognized when earned. The amount of revenue in the Statements of Activities is shown net of direct expenses.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2. Summary of Significant Accounting Policies (Cont'd)**

**Revenue and Support Recognition (Cont'd):**

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

**Tax Status:**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, a portion of the Organization's rental income is subject to unrelated business income tax. For the years ended December 31, 2018 and 2017, the Organization paid income taxes of \$1,150 and \$1,373, respectively, for unrelated business activity.

The Organization's federal exempt and unrelated business income returns are subject to examination by the IRS, generally for three years after they were filed. The Organization's state informational returns are subject to examination up to four years after they were filed. The statute of limitations does not apply to unfiled returns. The Organization believes that all required returns have been filed.

The Organization has determined that there are no material uncertain tax positions that require disclosure in the financial statements.

**Concentrations:**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and the beneficial interest in assets held by PACF. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

During the years ended December 31, 2018 and 2017, the Organization received approximately 44% and 41%, respectively, of total support and revenues from the State of New Jersey Department of Children and Families, and 11% and 11%, respectively, from the Mercer County Department of Human Services. Receivables from the Mercer County Department of Human Services comprised approximately 32% and 61% of total receivables at December 31, 2018 and 2017, respectively.



**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2. Summary of Significant Accounting Policies (Cont'd)**

**Functional Allocation of Expenses:**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include salaries and benefits, which are allocated on the basis of estimates of time and effort; facility costs, which are allocated based on square footage; insurance and office supplies, which are allocated based on gross payroll; and telephone, which is allocated based on estimated usage.

**Adoption of New Accounting Pronouncement:**

For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the new asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

**New Accounting Pronouncements:**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard outlines a single comprehensive model for organizations to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Organization will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time. The standard will be effective for annual reporting periods beginning after December 15, 2018.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**

**NOTES TO FINANCIAL STATEMENTS (CONT'D)**

**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 2. Summary of Significant Accounting Policies (Cont'd)**

**New Accounting Pronouncements (Cont'd):**

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to address questions stemming from ASU 2014-09 regarding its implications on the grants and contracts of not-for-profit organizations. ASU 2018-08 provides guidance to determine if a grant or contract is a contribution or exchange transaction. The standard also provides guidance to help in determining if a contribution is conditional. ASU 2018-08 is effective for fiscal years that start after December 15, 2018. The Organization is currently evaluating the impact of the pending adoption of ASU 2014-09 and ASU 2018-08 on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the Statements of Financial Position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Statements of Activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

**Date of Management Evaluation of Subsequent Events:**

Management has evaluated subsequent events through April 29, 2019, the date on which the financial statements were available to be issued.

**Note 3. Available Resources and Liquidity**

The following represents the Organization's financial assets at December 31, 2018 and 2017:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Financial assets at year-end:		
Cash and cash equivalents .....	\$103,886	\$157,977
Accounts receivable .....	104,790	57,127
Beneficial interest in assets held by a community foundation .....	<u>25,309</u>	<u>25,184</u>
Total financial assets .....	233,985	240,288
Less amounts not available to be used within one year:		
Quasi endowment established by the board .....	<u>(77,369)</u>	<u>(77,244)</u>
Financial assets available to meet cash needs for general expenditures within one year .....	<u>\$156,616</u>	<u>\$163,044</u>

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 3. Available Resources and Liquidity (Cont'd)**

The Organization receives significant contributions and grants restricted by donors and grantors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves to maintain adequate liquid assets to fund near-term operating needs and to maintain sufficient reserves to provide reasonable assurance that long-term obligations will be paid in accordance with the terms. This goal is achieved through the Organization's budgeting process and expenditure policies. The Organization's board established a board designated endowment with the goal of long-term growth so that income from the endowment will provide another source of operating funds. The Organization maintains a \$150,000 line-of-credit available to assist with temporary cash flow needs. As of December 31, 2018, \$125,000 remained available.

**Note 4. Property and Equipment**

Following is a summary of property and equipment:

	<b>Estimated useful lives in years</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Land .....	-	\$ 172,675	\$ 172,675
Building.....	39	580,589	580,589
Improvements.....	15-39	243,156	243,156
Vehicles.....	5	115,914	115,914
Equipment .....	5-7	<u>38,844</u>	<u>38,844</u>
		1,151,178	1,151,178
Accumulated depreciation.....		<u>506,286</u>	<u>468,851</u>
		<b><u>\$ 644,892</u></b>	<b><u>\$ 682,327</u></b>

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$37,435 and \$40,964, respectively. This included \$3,660 and \$3,660 for 2018 and 2017, respectively, for depreciation on office space which was rented to third parties, and is shown as a reduction in rental income on the Statements of Activities.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 5. Beneficial Interest in Assets Held by Foundation**

Investments are held in pooled funds invested with PACF. As a participant in the pooled funds, the Organization's ownership interest is based on the allocation of the fair value of the Organization's units to the total fair value of the investment pool. The investment pool is managed using a long-term diversified strategy and is invested on a total return basis. Total return describes the change in fund value over time resulting from interest, dividends and capital appreciation as a result of both realized and unrealized gains. The pool is revalued monthly and income and gains or losses are allocated to the participants based on their units. All investments are measured at fair value in the Statements of Financial Position. The change in fair value of pooled funds invested with PACF from earnings is included in net investment return as net assets without donor restrictions unless the income or loss is restricted by donor or law. The fair value of the Organization's pooled investments held by PACF was \$25,309 and \$25,184 at December 31, 2018 and 2017, respectively.

Net investment return related to the pooled investments held by PACF was comprised of the following:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Dividends and interest .....	\$ 313	\$ 205
Administrative and investment fees .....	(386)	(381)
Unrealized gain (loss) .....	686	3,182
Realized gain (loss) .....	<u>(488)</u>	<u>(86)</u>
Total net investment return .....	<u>\$ 125</u>	<u>\$ 2,920</u>

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 6. Fair Value Measurements**

Assets measured at fair value on a recurring basis are as follows:

<b><u>December 31, 2018</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Fair value total</u></b>
Pooled investments held by PACF .....	\$ <u>-</u>	\$ <u>-</u>	\$ <u>25,309</u>	\$ <u>25,309</u>
<b><u>December 31, 2017</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Fair value total</u></b>
Pooled investments held by PACF .....	\$ <u>-</u>	\$ <u>-</u>	\$ <u>25,184</u>	\$ <u>25,184</u>

The table below presents additional information about assets measured at fair value on a recurring basis by reliance on Level 3 inputs to determine fair value:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Balance, beginning of year .....	\$ 25,184	\$ 22,264
Realized and unrealized gains (losses) included in earnings .....	198	3,096
Income and (expenses), net .....	<u>(73)</u>	<u>(176)</u>
Balance, end of year .....	<b><u>\$ 25,309</u></b>	<b><u>\$ 25,184</u></b>

The investments held by PACF consist of publicly-traded corporate bond funds, domestic and international equity funds, privately-held companies and closely-held limited partnerships, and investment companies. The fair value of the Organization's interest in the investments held by PACF is based on a percentage interest in PACF's fair value as represented by PACF's management.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 7. Long Term Debt**

The Organization's obligations under long term debt consist of the following:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Mortgage payable to bank; payable in monthly installments of \$1,810 including interest at 3.75%; final payment will be October 7, 2025. The mortgage is collateralized by the real property at 231 Lawrence Road, with a net book value at December 31, 2018 of \$629,835 and an appraised value of \$915,000 .....	\$321,785	\$331,078
Note payable to bank; payable in monthly installments of \$247, including interest at 2.90%; maturing July 2022; collateralized by an automobile with a net book value at December 31, 2018 of \$14,537 .....	<u>10,093</u>	<u>12,483</u>
Principal amount .....	331,878	343,561
Less: unamortized debt issuance costs .....	<u>3,606</u>	<u>4,134</u>
Total long term debt less unamortized issuance costs .....	<b><u>\$328,272</u></b>	<b><u>\$339,427</u></b>

The annual maturities of long term debt for each of the remaining years are as follows:

<b><u>Year ended December 31,</u></b>	<b><u>Principal amount</u></b>
2019 .....	\$ 12,359
2020 .....	\$ 12,779
2021 .....	\$ 13,280
2022 .....	\$ 12,548
2023 .....	\$ 11,234
2024 and thereafter .....	\$269,678

Debt issuance costs are reported on the Statements of Financial Position as a direct deduction from the face amount of debt. The Organization reflects amortization of debt issuance costs as interest expense. The amounts included in interest expense for the years ended December 31, 2018 and 2017 were \$528 and \$528, respectively.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 8. Line-of-Credit**

The Organization has an agreement with a commercial bank for a \$150,000 open line-of-credit. Interest on balances drawn on the line will be charged at prime rate plus 1.0% (prime rate was 5.5% at December 31, 2018). The line is secured by a blanket lien on all business assets of the Organization. This agreement expires April 21, 2019. The outstanding balances on the line were \$25,000 and \$-0- as of December 31, 2018 and 2017, respectively.

**Note 9. Net Assets**

Net assets without donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Board designated for endowment fund .....	\$ 25,309	\$ 25,184
Board designated for property and equipment fund .....	313,014	338,765
Board designated for Evelyn A. Gill fund for the future .....	52,060	52,060
Undesignated.....	<u>104,533</u>	<u>122,988</u>
Total without donor restrictions.....	<u>\$494,916</u>	<u>\$538,997</u>

Net assets with donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Specific purpose:		
Crisis intervention .....	\$ 4,000	\$ 3,500
Prevention .....	29,570	12,076
Juvenile intervention services .....	1,250	28,800
Special events .....	<u>-</u>	<u>1,250</u>
Total with donor restrictions.....	<u>\$ 34,820</u>	<u>\$ 45,626</u>

Net assets released from net assets with donor restrictions are follows:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Satisfaction of purpose restrictions:		
Crisis intervention .....	\$ 3,500	\$ 2,500
Prevention .....	12,076	15,000
Juvenile intervention services .....	28,800	-
Special events .....	<u>1,250</u>	<u>-</u>
Total net assets released from restrictions .....	<u>\$ 45,626</u>	<u>\$ 17,500</u>

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 10. Board Designated Endowment Fund**

**Endowment Description**

On January 7, 2007, the Organization established an Endowment Fund (the "Fund") with PACF through an initial transfer of \$13,000. Earnings, such as interest and dividends, from the Fund are expendable but designated to be used solely to support the operations and programs of the Organization. The change in fair value of the invested funds is recognized in net assets without donor restrictions. Contributions to the Fund can be made at any time.

**Endowment Spending Policy**

Annual payouts from the Fund may commence on the fifth anniversary of the establishment of the Fund, or when the total market value of the endowment is in excess of \$250,000, whichever occurs first. These payouts are not to exceed 4% of the Fund's total market value. An emergency payout of up to 10% of the Fund's total market value can be obtained annually, under certain circumstances, with two-thirds vote of the Board of Trustees.

**Endowment Investing Policies**

Under the Fund agreement, the Board of Trustees of PACF have full authority and discretion as to the investment of the assets of the Fund. PACF uses a total return approach to investment management. The Fund has a long term horizon and is structured with the objective of achieving returns greater than the combined total of PACF's spending policy, administrative costs and inflation.

Changes in board designated endowment net assets are as follows:

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Total</u></b>
Endowment net assets, January 1, 2018.....	\$ 25,184	\$ -	\$ 25,184
Investment return, net .....	<u>125</u>	<u>-</u>	<u>125</u>
Endowment net assets, December 31, 2018 .....	<u>\$ 25,309</u>	<u>\$ -</u>	<u>\$ 25,309</u>

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>Total</u></b>
Endowment net assets, January 1, 2017.....	\$ 22,264	\$ -	\$ 22,264
Investment return, net .....	<u>2,920</u>	<u>-</u>	<u>2,920</u>
Endowment net assets, December 31, 2017 .....	<u>\$ 25,184</u>	<u>\$ -</u>	<u>\$ 25,184</u>



**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 11. Rental Income**

The Organization rented portions of its building to a commercial business, and also to a nonprofit entity. Gross rental revenue for 2018 and 2017 was \$21,087 and \$28,824, respectively.

The commercial business' current lease expires May 31, 2021. The nonprofit entity's current lease expired January 31, 2018 and was not renewed.

Future minimum lease revenue from the current leases is as follows:

<b><u>Year ended December 31,</u></b>	<b><u>Amount</u></b>
2019.....	\$ 20,664
2020.....	20,664
2021.....	8,610
2022 and thereafter.....	<u>          -</u>
	<b><u>\$ 49,938</u></b>

**Note 12. Retirement Plan**

The Organization has a 401(k) retirement plan covering employees who work at least 1,000 hours per year, have completed one year of service, and who are over the age of twenty-one. The Organization contributes 2% of salary for all eligible employees. Participating employees may elect to contribute up to 20% of their base salaries, subject to federally designated limits. The Organization matches the first 2% contributed by the participating employees. Employer contributions were \$20,984 and \$19,647 for the years ended December 31, 2018 and 2017, respectively.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**Note 13. Operating Leases**

The Organization leases office equipment under an operating lease expiring December 2021. Lease expense for office equipment was \$2,268 in 2018 and \$2,268 in 2017.

Future minimum lease payments required under the above operating lease as of December 31, 2018 are as follows:

<b><u>Year ended December 31,</u></b>	<b><u>Amount</u></b>
2019.....	\$ 2,268
2020.....	2,268
2021.....	2,079
2022 and thereafter.....	<u>          -</u>
 Total minimum lease payments .....	 <b><u>\$ 6,615</u></b>

**Note 14. Financial Statement Presentation**

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Such reclassifications have no effect on the previously reported change in net assets.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**YEAR ENDED DECEMBER 31, 2018**

<b><u>STATE GRANTOR DEPARTMENT AND PROGRAM TITLE</u></b>	<b><u>STATE ACCOUNT NUMBER</u></b>	<b><u>AWARD AMOUNT</u></b>	<b><u>PROGRAM GRANT PERIOD</u></b>	<b><u>FISCAL YEAR DISBURSEMENTS</u></b>	<b><u>TOTAL GRANT EXPENDITURES TO DATE</u></b>
<b><u>NEW JERSEY DEPARTMENT OF CHILDREN &amp; FAMILIES</u></b>					
Division of Child Protection and Permanency					
Family Support Services.....	100-016-1610-023	\$ 411,161	1/1/18-12/31/18	\$ 411,161	\$ 411,161
Crisis Counseling (Fixed fee per session).....	100-016-1610-023	4,450	1/1/18-12/31/18	<u>4,450</u>	<u>4,450</u>
Subtotal.....				<u>415,611</u>	<u>415,611</u>
Family and Community Partnership, Passed through New Jersey Child Assault Prevention					
Educational Information and Resource Center.....	100-016-1630-013	50,272	7/1/18-6/30/19	36,225	36,225
Educational Information and Resource Center.....	100-016-1630-013	50,272	7/1/17-6/30/18	<u>28,218</u>	<u>50,272</u>
Subtotal.....				<u>64,443</u>	<u>86,497</u>
New Jersey Department of Law and Public Safety					
Juvenile Justice Commission Summer Expansion Program....	1500-209-994570	19,104	6/1/18 - 9/30/18	<u>19,104</u>	<u>19,104</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE.....</b>				<b><u>\$ 499,158</u></b>	<b><u>\$ 521,212</u></b>

Note: There were no awards passed through to subrecipients.

See independent auditors' report and accompanying notes to this schedule.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**

**NOTES TO SCHEDULE OF EXPENDITURES OF**

**STATE FINANCIAL ASSISTANCE**

**YEAR ENDED DECEMBER 31, 2018**

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes the state grant activity of the Organization under programs of the state government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of the State of New Jersey Circular Letter 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the Schedule presents only a selected portion of the operations of Prevention Education, Inc. T/A PEI Kids, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Prevention Education, Inc. T/A PEI Kids.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the State of New Jersey Department of Children and Families Contract Reimbursement Manual, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**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  
Prevention Education, Inc. T/A PEI Kids  
Lawrenceville, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of PREVENTION EDUCATION, INC. T/A PEI KIDS (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Prevention Education, Inc. T/A PEI Kids' internal control over financial reporting (internal control) to determine the 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 Prevention Education, Inc. T/A PEI Kids' internal control. Accordingly, we do not express an opinion on the effectiveness of Prevention Education, Inc. T/A PEI Kids' 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 Organization'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 may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prevention Education, Inc. T/A PEI Kids' 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 determination of financial statement amounts. 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.

*Klatzkin & Company, LLP*

KLATZKIN & COMPANY<sub>LLP</sub>

Hamilton, New Jersey  
April 29, 2019