

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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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 Audit of the Financial Statements

#### *Opinion*

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, 2021 and 2020, 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 present fairly, in all material respects, the financial position of Prevention Education, Inc. T/A PEI Kids as of December 31, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Prevention Education, Inc. T/A PEI Kids and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *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 Prevention Education, Inc. T/A PEI Kids' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## ***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 and *Government 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 and *Government 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 Prevention Education, Inc. T/A PEI Kids's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Prevention Education, Inc. T/A PEI Kids's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary 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 August 8, 2022, 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<sub>LLP</sub>

Hamilton, New Jersey  
August 8, 2022

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

**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>ASSETS</b>		
<b><u>Assets</u></b>		
Cash and Cash Equivalents.....	\$ 434,197	\$ 257,625
Grants Receivable.....	138,069	201,495
Prepaid Expenses.....	15,764	11,801
Beneficial Interest in Assets Held by a Community Foundation - Endowment Fund.....	35,992	33,430
Property and Equipment, Net of Accumulated Depreciation of \$571,751 and \$524,518.....	<u>621,496</u>	<u>665,393</u>
<b>TOTAL ASSETS.....</b>	<b><u>\$ 1,245,518</u></b>	<b><u>\$ 1,169,744</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b><u>Liabilities</u></b>		
Accounts Payable and Accrued Expenses.....	\$ 16,628	\$ 20,818
Deferred Revenue.....	42,642	14,196
Line-of-Credit.....	-	20,000
Refundable Advance - Paycheck Protection Program.....	175,845	194,930
Long Term Debt.....	<u>295,071</u>	<u>304,691</u>
<b>Total Liabilities.....</b>	<b><u>530,186</u></b>	<b><u>554,635</u></b>
<b><u>Net Assets</u></b>		
Without Donor Restrictions:		
Board Designated.....	415,071	436,699
Undesignated.....	<u>282,831</u>	<u>143,395</u>
Total Without Donor Restrictions .....	697,902	580,094
With Donor Restrictions.....	<u>17,430</u>	<u>35,015</u>
<b>Total Net Assets.....</b>	<b><u>715,332</u></b>	<b><u>615,109</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS.....</b>	<b><u>\$ 1,245,518</u></b>	<b><u>\$ 1,169,744</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, 2021**

	<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.....	\$ 446,566	\$ -	\$ 446,566
County Grants.....	80,000	-	80,000
Federal Grants.....	237,449	-	237,449
Program Fees.....	51,807	-	51,807
Contributions.....	247,458	46,250	293,708
Paycheck Protection Program (PPP) Loan Forgiveness.....	194,930	-	194,930
Rental Income (Loss), Net of Expenses of \$14,229.....	(3,791)	-	(3,791)
Net Investment Return.....	2,756	-	2,756
Other Revenues.....	3,858	-	3,858
<b>Total Revenue, Support, and Gains.....</b>	<b>1,261,033</b>	<b>46,250</b>	<b>1,307,283</b>
<b>Net Assets Released from Restrictions.....</b>	<b>63,835</b>	<b>(63,835)</b>	<b>-</b>
<b>Total Revenue, Support, and Gains, and Net Assets Released from Restrictions.....</b>	<b>1,324,868</b>	<b>(17,585)</b>	<b>1,307,283</b>
<b>Expenses:</b>			
Program Services:			
Prevention.....	133,164	-	133,164
Crisis Intervention.....	230,716	-	230,716
Supervised Family Visitation.....	252,709	-	252,709
Transportation Plus.....	105,555	-	105,555
Juvenile Intervention.....	227,027	-	227,027
<b>Total Program Services.....</b>	<b>949,171</b>	<b>-</b>	<b>949,171</b>
Supporting Services:			
Management and General.....	205,132	-	205,132
Fundraising.....	52,757	-	52,757
<b>Total Expenses.....</b>	<b>1,207,060</b>	<b>-</b>	<b>1,207,060</b>
<b>Change in Net Assets.....</b>	<b>117,808</b>	<b>(17,585)</b>	<b>100,223</b>
<b>Net Assets - Beginning of Year.....</b>	<b>580,094</b>	<b>35,015</b>	<b>615,109</b>
<b>Net Assets - End of Year.....</b>	<b>\$ 697,902</b>	<b>\$ 17,430</b>	<b>\$ 715,332</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, 2020**

	<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.....	\$ 479,729	\$ -	\$ 479,729
County Grants.....	65,000	-	65,000
Federal Grants.....	191,019	-	191,019
Program Fees.....	32,705	-	32,705
Contributions.....	304,062	42,250	346,312
Rental Income, Net of Expenses of \$11,145.....	909	-	909
Net Investment Return.....	<u>6,607</u>	<u>-</u>	<u>6,607</u>
<b>Total Revenue, Support, and Gains.....</b>	<b>1,080,031</b>	<b>42,250</b>	<b>1,122,281</b>
<b>Net Assets Released from Restrictions.....</b>	<b><u>25,513</u></b>	<b><u>(25,513)</u></b>	<b><u>-</u></b>
<b>Total Revenue, Support, and Gains, and Net Assets Released from Restrictions.....</b>	<b><u>1,105,544</u></b>	<b><u>16,737</u></b>	<b><u>1,122,281</u></b>
<b>Expenses:</b>			
Program Services:			
Prevention.....	126,111	-	126,111
Crisis Intervention.....	203,870	-	203,870
Supervised Family Visitation.....	174,587	-	174,587
Transportation Plus.....	77,657	-	77,657
Juvenile Intervention.....	<u>188,853</u>	<u>-</u>	<u>188,853</u>
Total Program Services.....	771,078	-	771,078
Supporting Services:			
Management and General.....	164,944	-	164,944
Fundraising.....	<u>84,059</u>	<u>-</u>	<u>84,059</u>
<b>Total Expenses.....</b>	<b><u>1,020,081</u></b>	<b><u>-</u></b>	<b><u>1,020,081</u></b>
<b>Change in Net Assets.....</b>	<b>85,463</b>	<b>16,737</b>	<b>102,200</b>
<b>Net Assets - Beginning of Year.....</b>	<b><u>494,631</u></b>	<b><u>18,278</u></b>	<b><u>512,909</u></b>
<b>Net Assets - End of Year.....</b>	<b><u>\$ 580,094</u></b>	<b><u>\$ 35,015</u></b>	<b><u>\$ 615,109</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, 2021**

	Program					Total Program	Management and General	Fundraising	2021 Total
	Prevention	Crisis Intervention	Supervised Family Visitation	Transportation Plus	Juvenile Intervention				
<b>Personnel Expenses:</b>									
Salary and Wages.....	\$ 101,221	\$ 179,073	\$ 166,871	\$ 65,675	\$ 154,874	\$ 667,714	\$ 114,323	\$ 35,206	\$ 817,243
Payroll Taxes.....	8,289	14,445	13,565	5,374	12,564	54,237	9,263	2,722	66,222
Benefits.....	8,704	12,912	24,496	6,767	12,728	65,607	14,030	2,501	82,138
<b>Total Personnel Expenses.....</b>	<b>118,214</b>	<b>206,430</b>	<b>204,932</b>	<b>77,816</b>	<b>180,166</b>	<b>787,558</b>	<b>137,616</b>	<b>40,429</b>	<b>965,603</b>
<b>Other Functional Expenses:</b>									
Program Supplies.....	1,031	1,364	682	45	22,711	25,833	-	-	25,833
Vehicle Expenses.....	-	-	7,784	7,784	1,899	17,467	-	-	17,467
Facilities.....	5,753	8,630	14,438	4,912	8,081	41,814	9,763	3,837	55,414
Facilities - Rented Portion.....	-	-	-	-	-	-	14,229	-	14,229
Professional Fees.....	-	-	-	-	1,500	1,500	36,243	-	37,743
Office Expense.....	2,694	4,631	2,821	1,195	2,472	13,813	6,022	362	20,197
Insurance and Licensing.....	877	1,440	1,813	675	1,951	6,756	1,715	1,904	10,375
Telephone.....	914	1,827	1,915	1,915	2,161	8,732	2,284	-	11,016
Fundraising.....	-	-	-	-	-	-	-	3,423	3,423
Interest Expense.....	983	1,707	2,745	847	1,625	7,907	2,067	748	10,722
<b>Total Other Functional Expenses .....</b>	<b>12,252</b>	<b>19,599</b>	<b>32,198</b>	<b>17,373</b>	<b>42,400</b>	<b>123,822</b>	<b>72,323</b>	<b>10,274</b>	<b>206,419</b>
<b>Total Expenses Before Depreciation and Bad Debt Expense.....</b>	<b>130,466</b>	<b>226,029</b>	<b>237,130</b>	<b>95,189</b>	<b>222,566</b>	<b>911,380</b>	<b>209,939</b>	<b>50,703</b>	<b>1,172,022</b>
Depreciation.....	2,698	4,687	15,579	10,366	4,461	37,791	4,147	2,054	43,992
Bad Debt Expense.....	-	-	-	-	-	-	5,275	-	5,275
<b>Total Expenses.....</b>	<b>133,164</b>	<b>230,716</b>	<b>252,709</b>	<b>105,555</b>	<b>227,027</b>	<b>949,171</b>	<b>219,361</b>	<b>52,757</b>	<b>1,221,289</b>
Less Expenses Included with Revenues on the Statement of Activities:									
Rental Expenses.....	-	-	-	-	-	-	(14,229)	-	(14,229)
<b>Total Expenses Included in the Expense Section on the Statement of Activities.....</b>	<b>\$ 133,164</b>	<b>\$ 230,716</b>	<b>\$ 252,709</b>	<b>\$ 105,555</b>	<b>\$ 227,027</b>	<b>\$ 949,171</b>	<b>\$ 205,132</b>	<b>\$ 52,757</b>	<b>\$ 1,207,060</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, 2020**

	Program					Total Program	Management and General		Fundraising	2020 Total
	Prevention	Crisis Intervention	Supervised Family Visitation	Transportation Plus	Juvenile Intervention					
<b>Personnel Expenses:</b>										
Salary and Wages.....	\$ 95,607	\$ 155,142	\$ 106,943	\$ 43,461	\$ 123,693	\$ 524,846	\$ 88,062	\$ 53,862	\$ 666,770	
Payroll Taxes.....	7,943	12,704	8,811	3,529	10,056	43,043	4,551	4,387	51,981	
Benefits.....	4,896	13,039	20,667	7,163	13,682	59,447	10,243	9,608	79,298	
<b>Total Personnel Expenses.....</b>	<b>108,446</b>	<b>180,885</b>	<b>136,421</b>	<b>54,153</b>	<b>147,431</b>	<b>627,336</b>	<b>102,856</b>	<b>67,857</b>	<b>798,049</b>	
<b>Other Functional Expenses:</b>										
Program Supplies.....	64	2,704	4,922	2,927	19,283	29,900	53	-	29,953	
Vehicle Expenses.....	-	-	8,186	8,186	1,600	17,972	-	-	17,972	
Facilities.....	6,069	8,588	8,675	3,577	6,983	33,892	9,150	3,358	46,400	
Facilities - Rented Portion.....	-	-	-	-	-	-	11,145	-	11,145	
Professional Fees.....	-	-	-	-	1,000	1,000	33,970	90	35,060	
Office Expense.....	4,824	2,202	3,714	1,068	3,031	14,839	8,179	1,704	24,722	
Insurance and Licensing.....	1,732	1,699	1,655	600	1,322	7,008	1,581	2,295	10,884	
Telephone.....	1,618	2,157	1,935	1,935	2,562	10,207	2,158	539	12,904	
Fundraising.....	-	-	-	-	-	-	-	5,596	5,596	
Interest Expense.....	860	1,419	1,474	806	1,456	6,015	3,345	679	10,039	
<b>Total Other Functional Expenses.....</b>	<b>15,167</b>	<b>18,769</b>	<b>30,561</b>	<b>19,099</b>	<b>37,237</b>	<b>120,833</b>	<b>69,581</b>	<b>14,261</b>	<b>204,675</b>	
<b>Total Expenses Before Depreciation.....</b>	<b>123,613</b>	<b>199,654</b>	<b>166,982</b>	<b>73,252</b>	<b>184,668</b>	<b>748,169</b>	<b>172,437</b>	<b>82,118</b>	<b>1,002,724</b>	
Depreciation.....	2,498	4,216	7,605	4,405	4,185	22,909	3,652	1,941	28,502	
<b>Total Expenses.....</b>	<b>126,111</b>	<b>203,870</b>	<b>174,587</b>	<b>77,657</b>	<b>188,853</b>	<b>771,078</b>	<b>176,089</b>	<b>84,059</b>	<b>1,031,226</b>	
Less Expenses Included with Revenues on the Statement of Activities:										
Rental Expenses.....	-	-	-	-	-	-	(11,145)	-	(11,145)	
<b>Total Expenses Included in the Expense Section on the Statement of Activities.....</b>	<b>\$ 126,111</b>	<b>\$ 203,870</b>	<b>\$ 174,587</b>	<b>\$ 77,657</b>	<b>\$ 188,853</b>	<b>\$ 771,078</b>	<b>\$ 164,944</b>	<b>\$ 84,059</b>	<b>\$ 1,020,081</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>2021</u></b>	<b><u>2020</u></b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Grantors and Donors.....	\$ 1,201,469	\$ 965,085
Cash Received - Paycheck Protection Program.....	175,845	194,930
Investment Income Received.....	194	190
Cash Paid to Employees and Vendors.....	(1,157,258)	(965,129)
Income Taxes Paid.....	-	-
Interest Paid.....	<u>(10,194)</u>	<u>(9,511)</u>
<b>Net Cash Provided by (Used in) Operating Activities.....</b>	<b><u>210,056</u></b>	<b><u>185,565</u></b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of Property and Equipment.....	<u>-</u>	<u>(83,206)</u>
<b>Net Cash Provided by (Used in) Investing Activities.....</b>	<b><u>-</u></b>	<b><u>(83,206)</u></b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from Borrowings on Line-of-Credit.....	-	35,000
Repayment of Line-of-Credit.....	(20,000)	(55,000)
Repayment of Long Term Debt.....	<u>(13,484)</u>	<u>(12,256)</u>
<b>Net Cash Provided by (Used in) Financing Activities.....</b>	<b><u>(33,484)</u></b>	<b><u>(32,256)</u></b>
<b>Net Increase in Cash and Cash Equivalents.....</b>	<b>176,572</b>	<b>69,103</b>
<b>Cash and Cash Equivalents - Beginning of Year.....</b>	<b><u>257,625</u></b>	<b><u>188,522</u></b>
<b>Cash and Cash Equivalents - Ending of Year.....</b>	<b><u>\$ 434,197</u></b>	<b><u>\$ 257,625</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>2021</u></b>	<b><u>2020</u></b>
<b>Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:</b>		
Change in Net Assets.....	\$ 100,223	\$ 102,200
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:</b>		
Depreciation.....	47,233	31,706
Amortization.....	528	528
Reinvested Investment Return.....	(2,562)	(6,417)
(Increase) Decrease in Grants Receivable.....	63,426	(99,566)
(Increase) Decrease in Prepaid Expenses.....	(3,963)	12,710
Increase (Decrease) in Refundable Advance - Paycheck Protection Program Proceeds.....	175,845	194,930
Paycheck Protection Program Forgiveness.....	(194,930)	-
Increase (Decrease) in Refundable Advances.....	28,446	(52,023)
Increase (Decrease) in Accounts Payable and Accrued Expenses.....	<u>(4,190)</u>	<u>497</u>
<b>Net Cash Provided by (Used in) Operating Activities.....</b>	<b><u>\$ 210,056</u></b>	<b><u>\$ 184,565</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>\$ 2,562</u>	<u>\$ 6,417</u>
Capital Lease for Copier.....	<u>\$ 3,336</u>	<u>\$ -</u>
Book Value of Assets Disposed:		
Cost.....	\$ -	\$ 44,472
Accumulated Depreciation.....	<u>-</u>	<u>(44,472)</u>
Net Book Value.....	<u>\$ -</u>	<u>\$ -</u>

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, 2021 AND 2020**

**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 New Jersey 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, 2021 AND 2020**

**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 donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

**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.

**Grants Receivable:**

Grants receivable consists of both conditional and unconditional grants. The Organization expects all amounts to be fully collectible within one year 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, 2021 AND 2020**

**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 support without donor restrictions, 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, 2021 AND 2020**

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

**Refundable Advances:**

Refundable advances arise when the donor of a conditional contribution makes a payment to the Organization prior to the incurrence of qualifying expenditures or satisfaction of donor conditions. These amounts remain liabilities on the Statements of Financial Position until the grant or contract provisions have been met. Once met, the satisfied amount can then be recognized as revenue.

**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 - 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. Conditional promises to give of \$489,937 as of December 31, 2021 have not yet been recognized because the conditions on which they depend have not yet been met. These conditional promises to give are from grants and contracts which extend beyond December 31, 2021. The conditions are primarily the incurrence of expenses in accordance with the provisions of the grant agreements.

A significant portion of the Organization's revenue is derived from federal, state, and county contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Contributions received with donor-imposed conditions and/or restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities 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.



**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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

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 net assets with donor restrictions. 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.

Revenue from special 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.

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.

Rental income is recognized when earned based on the terms of the lease agreement. The amount of revenue in the Statements of Activities is shown net of direct expenses.

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.

The Organization has elected to omit the disclosures that are optional for nonpublic entities.

**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, 2021 and 2020, the Organization did not incur any income taxes 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.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

**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.

A significant portion of revenue was provided by grants from federal, state, and county agencies. It is always reasonably possible that the grantors may be lost in the near term. The majority of grants receivable are also from these federal, state, and county agencies.

**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, benefits, and professional fees, which are allocated on the basis of estimates of time and effort; facility costs, interest, and depreciation, which are allocated based on square footage and usage; 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, 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, Fair Value Measurement. Among the changes is the elimination of the reconciliation of the opening balances to the closing balances of recurring Level 3 fair value measurements for nonpublic entities.

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

**New Accounting Pronouncement:**

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. As a nonpublic entity and as allowed by FASB ASU 2020-05 issued June 3, 2020, the Organization has elected to defer adoption of the revised lease standard until its fiscal year beginning after December 31, 2021. 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 August 8, 2022, 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, 2021 and 2020:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Financial assets at year-end:		
Cash and cash equivalents .....	\$ 434,197	\$257,625
Grants receivable .....	138,069	201,495
Beneficial interest in assets held by a community foundation .....	<u>35,992</u>	<u>33,430</u>
Total financial assets .....	608,258	492,550
Less amounts not available to be used within one year:		
Quasi endowment established by the board .....	<u>(88,646)</u>	<u>(75,997)</u>
Financial assets available to meet cash needs for general expenditures within one year .....	<b><u>\$ 519,612</u></b>	<b><u>\$ 416,553</u></b>

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**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.

**Note 4. Contract Balances**

The timing of revenue recognition, billings, and cash collections results in accounts receivable and deferred revenue on the Statements of Financial Position. Amounts are billed as services in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual objectives. Deferred Revenue consists primarily of amounts received on program service contracts but not yet earned.

The beginning and ending contract balances were as follows:

	<b>December 31,</b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
Deferred Revenue:		
Beginning Balance .....	\$ 14,196	\$ -
Ending Balance .....	\$ 42,642	\$ 14,196

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

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

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 5. Refundable Advance – Paycheck Protection Program**

The Organization applied and was approved for a \$175,845 second-draw loan on March 10, 2021 under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan is uncollateralized and is fully guaranteed by the Federal government. Interest on the unforgiven portion of the loan will accrue at 1% from the date of disbursement. Payments are not required to begin for ten months after the end of the loan forgiveness covered period. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Any unforgiven part of the loan will be due in 14 monthly installments after the ten-month deferral period. The Organization has initially recorded the loan as a refundable advance and will record forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and the right of return of the PPP loan or when such conditions have been explicitly waived. No contribution revenue for this loan has been recorded for the year ended December 31, 2021. At December 31, 2021, the second PPP loan is reflected as a refundable advance liability on the Statements of Financial Position and receipt of the loan proceeds is treated as a cash inflow from operating activities on the Statements of Cash Flows. On April 23, 2022, the Organization's second PPP loan was fully forgiven by the SBA.

The first PPP loan received by the Organization was fully forgiven by the SBA in March 2021. Contribution revenue in the amount of \$194,930 has been recorded for the year ended December 31, 2021.

**Note 6. Property and Equipment**

Following is a summary of property and equipment:

	<b>Estimated useful lives in years</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Land .....	-	\$ 172,675	\$ 172,675
Building .....	39	580,589	580,589
Improvements .....	15-39	251,406	251,406
Vehicles.....	5	136,610	136,610
Equipment.....	5-7	<u>51,967</u>	<u>48,631</u>
		1,193,247	1,189,911
Accumulated depreciation .....		<u>571,751</u>	<u>524,518</u>
		<b><u>\$ 621,496</u></b>	<b><u>\$ 665,393</u></b>

Depreciation expense for the years ended December 31, 2021 and 2020 totaled \$47,233 and \$31,706, respectively. This included \$3,241 and \$3,204 for 2021 and 2020, 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, 2021 AND 2020**

**Note 7. 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 \$35,992 and \$33,430 at December 31, 2021 and 2020, respectively.

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

	<b><u>2021</u></b>	<b><u>2020</u></b>
Dividends and interest .....	\$ 425	\$ 515
Administrative and investment fees .....	(375)	(469)
Unrealized gain (loss) .....	2,299	5,968
Realized gain (loss) .....	<u>213</u>	<u>403</u>
Total net investment return .....	<b><u>\$ 2,562</u></b>	<b><u>\$ 6,417</u></b>

**Note 8. Fair Value Measurements**

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

<b><u>December 31, 2021</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>35,992</u>	\$ <u>35,992</u>

  

<b><u>December 31, 2020</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>33,430</u>	\$ <u>33,430</u>

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 8. Fair Value Measurements (Cont'd)**

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.

**Note 9. Long Term Debt**

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

	<u>2021</u>	<u>2020</u>
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, 2021 of \$559,533 and an appraised value of \$915,000 (appraised in 2014).....	\$292,325	\$ 302,663
Capital lease payable to Wells Fargo; payable in monthly installments of \$139, no interest; maturing October 31, 2023; collateralized by a copier with a net book value at December 31, 2021 of \$3,225.....	3,058	-
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, 2021 of \$-0- .....	<u>1,710</u>	<u>4,578</u>
Principal amount.....	297,093	307,241
Less: unamortized debt issuance costs.....	<u>2,022</u>	<u>2,550</u>
Total long term debt less unamortized issuance costs.....	<u>\$295,071</u>	<u>\$ 304,691</u>

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 9. Long Term Debt (Cont'd)**

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>
2022 .....	\$ 14,194
2023 .....	\$ 12,624
2024 .....	\$ 11,640
2025 .....	\$ 258,635
2026 and thereafter .....	\$ -

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, 2021 and 2020 were \$528 and \$528, respectively.

**Note 10. Line-of-Credit**

The Organization has an agreement with a commercial bank for a \$75,000 revolving line-of-credit. Interest on balances drawn on the line will be charged at .5% above the prime rate (3.75% at December 31, 2021). The line is secured by a blanket lien on all business assets of the Organization. This agreement expires July 2, 2024. The outstanding balances on the line were \$- and \$20,000 as of December 31, 2021 and 2020, respectively.



**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 11. Net Assets**

Net assets without donor restrictions at December 31, 2021 and 2020 are as follows:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Board designated for endowment fund.....	\$ 35,992	\$ 33,430
Board designated for property and equipment fund.....	326,425	360,702
Board designated for Evelyn A. Gill fund for the future .....	52,654	42,567
Undesignated .....	<u>282,831</u>	<u>143,395</u>
Total without donor restrictions .....	<u>\$697,902</u>	<u>\$580,094</u>

Net assets with donor restrictions at December 31, 2021 and 2020 are as follows:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Specific purpose - Prevention.....	\$ 8,930	\$ 7,765
Time restricted for use in 2022 .....	<u>8,500</u>	<u>27,250</u>
Total without donor restrictions .....	<u>\$17,430</u>	<u>\$35,015</u>

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

	<b><u>2021</u></b>	<b><u>2020</u></b>
Satisfaction of purpose restrictions:		
Prevention .....	<u>\$63,835</u>	<u>\$25,213</u>
Total net assets released from restrictions.....	<u>\$63,835</u>	<u>\$25,213</u>

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 12. 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, 2021 .....	\$ 33,430	\$ -	\$ 33,430
Investment return, net.....	<u>2,562</u>	<u>-</u>	<u>2,562</u>
Endowment net assets, December 31, 2021 .....	<u>\$ 35,992</u>	<u>\$ -</u>	<u>\$ 35,992</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, 2020 .....	\$ 27,013	\$ -	\$ 27,013
Investment return, net.....	<u>6,417</u>	<u>-</u>	<u>6,417</u>
Endowment net assets, December 31, 2020.....	<u>\$ 33,430</u>	<u>\$ -</u>	<u>\$ 33,430</u>

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 13. Rental Income**

The Organization rented portions of its building to a commercial business. Gross rental revenue for 2021 and 2020 was \$10,438 and \$12,054, respectively.

The commercial business' current lease expired August 31, 2021, and was not renewed. The Organization is currently not leasing any space.

**Note 14. Retirement Plan**

The Organization has 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 \$20,573 and \$19,457 for the years ended December 31, 2021 and 2020, respectively.

**Note 15. Operating Lease**

The Organization was the lessee of office equipment under an operating lease that expired in December 2021.

There are no future minimum lease payments required under the above operating lease as of December 31, 2021.

Lease expense for office equipment was \$1,890 in 2021 and \$2,268 in 2020.

**Note 16. Capital Lease**

The Organization is the lessee of a copier under a capital lease expiring in 2023. The asset and liability under the capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of the asset under the capital lease is included in depreciation expense for the years ended December 31, 2021 and 2020.

Following is a summary of property held under capital leases:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Copier.....	\$ 3,336	\$ -
Accumulated amortization .....	<u>111</u>	<u>-</u>
	<b><u>\$ 3,225</u></b>	<b><u>\$ -</u></b>

**PREVENTION EDUCATION, INC. T/A PEI KIDS**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**Note 16. Capital Lease (Cont'd)**

Minimum future lease payments under the capital lease as of December 31, 2021 are as follows:

<b><u>Year ended December 31,</u></b>	<b><u>Amount</u></b>
2022 .....	\$ 1,668
2023 .....	1,390
2024 and thereafter .....	<u>-</u>
 Net minimum lease payments ....	 3,058
Less: amount representing interest .....	 <u>-</u>
 Present value of net minimum lease payments .....	 <u>\$ 3,058</u>

The copier is being leased at 0% interest.

**Note 17. Disclosure of Risk and Uncertainty**

The COVID-19 outbreak in the United States in March 2020 has caused business disruption through mandated and voluntary closure of schools, churches, and other public facilities. The Organization was forced to temporarily shut down its foster care support services and school-based programming to ensure the health and safety of program participants and employees. The disruption in program services had a negative impact on program revenues. However, cost cutting measures coupled with aggressive funding solicitation helped the Organization to control costs and resulted in an increase in net assets for the years ended December 31, 2021 and 2020. In addition, as described in Note 5, the Organization applied for and received two loans under the Paycheck Protection Program in 2020 and 2021. Uncertainty remains about the long-term impact of the pandemic on the Organization's funding. Accordingly, the extent to which COVID-19 may impact the Organization's future financial position, changes in net assets, and cash flows is uncertain and the accompanying financial statements include no adjustments related to the effects of the pandemic.

**SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**YEAR ENDED DECEMBER 31, 2021**

<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	\$546,110	1/1/21-6/30/22	\$ 365,058	\$ 365,058
Crisis Counseling (Fixed fee per session).....	100-016-1610-023	1,329	1/1/21-6/30/22	1,329	1,329
Subtotal.....				<u>366,387</u>	<u>366,387</u>
<b><u>NEW JERSEY DEPARTMENT OF LAW AND PUBLIC SAFETY</u></b>					
Juvenile Justice Commission Managing Aggression & Violence - Anger Management Program, passed through County of Mercer, Department of Human Services.....					
	2019-82	50,000	1/1/21-12/31/21	50,000	50,000
Stationhouse Adjustment Program.....	1500-209-994570	10,186	6/1/20 - 5/31/21	10,186	10,186
Juvenile Justice Commission Summer Expansion Program.....	1500-209-994570	19,993	4/1/21 - 9/30/21	19,993	19,993
Subtotal.....				<u>80,179</u>	<u>80,179</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE.....</b>				<u>\$ 446,566</u>	<u>\$ 446,566</u>

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, 2021**

**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, 2021. 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, 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, and have issued our report thereon dated August 8, 2022.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.



## **Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KLATZKIN & COMPANY<sub>LLP</sub>

Hamilton, New Jersey  
August 8, 2022