



PREVENT CHILD ABUSE - NEW JERSEY CHAPTER, INC.

Financial Statements

Years Ended June 30, 2018 and 2017

With Independent Auditor's Reports

Prevent Child Abuse – New Jersey Chapter, Inc.
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Years Ended June 30, 2018 and 2017

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Independent Auditor's Report

Board of Trustees
Prevent Child Abuse - New Jersey Chapter, Inc.
New Brunswick, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Prevent Child Abuse - New Jersey Chapter, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prevent Child Abuse - New Jersey Chapter, Inc., as of June 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information Required Under Uniform Guidance and NJ OMB 15-08 and in Relation to the Combined Financial Statements as a Whole

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the State of New Jersey, Department of the Treasury, OMB Policy Circular 15-08. 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 November 13, 2018 on our consideration of Prevent Child Abuse - New Jersey Chapter, Inc.’s 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 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 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 Prevent Child Abuse - New Jersey Chapter Inc.’s internal control over financial reporting and compliance.

Sax LLP

Clifton, New Jersey
November 13, 2018

Prevent Child Abuse – New Jersey Chapter, Inc.
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 489,908	\$ 1,369,897
Investments	34,946	38,100
Contributions receivable	1,051	1,051
Grants and contracts receivable	386,666	85,951
Accounts receivable	40,775	17,630
Prepaid expenses	94,637	89,921
Total current assets	<u>1,047,983</u>	<u>1,602,550</u>
Property and equipment, net	<u>71,695</u>	<u>86,085</u>
Other assets		
Cash - board restricted	370,051	301,930
Cash - permanently restricted	20,333	20,333
Security deposits	11,707	11,707
	<u>402,091</u>	<u>333,970</u>
	<u>\$ 1,521,769</u>	<u>\$ 2,022,605</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 553,539	\$ 381,596
Deferred revenue	8,826	33,427
Grants and contracts payable	100,158	911,161
Total current liabilities	<u>662,523</u>	<u>1,326,184</u>
Net assets		
Unrestricted	758,871	596,046
Temporarily restricted	80,042	80,042
Permanently restricted	20,333	20,333
Total net assets	<u>859,246</u>	<u>696,421</u>
	<u>\$ 1,521,769</u>	<u>\$ 2,022,605</u>

The Notes to Financial Statements are an integral part of these statements.

Prevent Child Abuse – New Jersey Chapter, Inc.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Grants and contracts	\$ 6,237,287	\$ --	\$ --	\$ 6,237,287	\$ 5,300,276	\$ --	\$ --	\$ 5,300,276
Program fee revenue	107,332	--	--	107,332	77,858	--	--	77,858
Contributions	133,030	--	--	133,030	77,481	--	--	77,481
Other income	19,317	--	--	19,317	13,529	--	--	13,529
In-kind donations	18,081	--	--	18,081	4,488	--	--	4,488
Investment (loss) income	23,861	--	--	23,861	10,954	--	--	10,954
Special events income (net of donor received benefits of \$43,615 and \$41,863 in 2018 and 2017 respectively)	195,130	--	--	195,130	139,368	--	--	139,368
	<u>6,734,038</u>	<u>--</u>	<u>--</u>	<u>6,734,038</u>	<u>5,623,954</u>	<u>--</u>	<u>--</u>	<u>5,623,954</u>
Net assets released from restrictions	--	--	--	--	7,000	(15,000)	8,000	--
	<u>6,734,038</u>	<u>--</u>	<u>--</u>	<u>6,734,038</u>	<u>5,630,954</u>	<u>(15,000)</u>	<u>8,000</u>	<u>5,623,954</u>
Expenses								
Program services	5,677,398	--	--	5,677,398	4,814,131	--	--	4,814,131
Management and general	678,442	--	--	678,442	634,263	--	--	634,263
Development	215,373	--	--	215,373	168,676	--	--	168,676
	<u>6,571,213</u>	<u>--</u>	<u>--</u>	<u>6,571,213</u>	<u>5,617,070</u>	<u>--</u>	<u>--</u>	<u>5,617,070</u>
Changes in net assets	162,825	--	--	162,825	13,884	(15,000)	8,000	6,884
Net assets, beginning year	596,046	80,042	20,333	696,421	582,162	95,042	12,333	689,537
Net assets, end of year	<u>\$ 758,871</u>	<u>\$ 80,042</u>	<u>\$ 20,333</u>	<u>\$ 859,246</u>	<u>\$ 596,046</u>	<u>\$ 80,042</u>	<u>\$ 20,333</u>	<u>\$ 696,421</u>

The Notes to Financial Statements are an integral part of these statements.

Prevent Child Abuse – New Jersey Chapter, Inc.
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ 162,825	\$ 6,884
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities		
Depreciation	27,224	26,429
Realized loss (gain) on investments	--	(2,003)
Unrealized loss (gain) on investments	(3,154)	(3,179)
Changes in assets and liabilities		
Contributions receivable	--	29
Grants and contracts receivable	(300,715)	5,483
Accounts receivable	(23,145)	6,475
Prepaid expenses	(4,716)	(66,478)
Security deposits	--	2,746
Accounts payable and accrued expenses	171,943	(37,202)
Grants and contracts payable	(811,003)	(316,856)
Deferred revenue	(24,601)	21,713
Net cash (used for) provided by operating activities	<u>(805,342)</u>	<u>(355,959)</u>
Cash flows from investing activities		
Proceeds from sale of securities	--	7,080
Additions to property and equipment	(12,835)	(12,483)
Change in cash - board restricted	(61,812)	(153,705)
Change in cash - permanently restricted	--	(8,000)
Net cash (used for) investing activities	<u>(74,647)</u>	<u>(167,108)</u>
Net increase (decrease) in cash and cash equivalents	(879,989)	(523,067)
Cash and cash equivalents		
Beginning of year	1,369,897	1,892,964
End of year	<u>\$ 489,908</u>	<u>\$ 1,369,897</u>

The Notes to Financial Statements are an integral part of these statements.

Prevent Child Abuse – New Jersey Chapter, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services				Management and General	Development	Total
	Technical Assistance	Professional Training	Public Education	Total Program Services			
Salaries	\$ 2,284,308	\$ 328,172	\$ 137,797	\$ 2,750,277	\$ 387,333	\$ 135,036	\$ 3,272,646
Fringe benefits	753,481	99,656	21,866	875,003	126,716	35,827	1,037,546
Consultants/professional fees	279,516	29,959	22,862	332,337	24,110	411	356,858
Rent expense	173,583	15,572	6,768	195,923	27,806	8,756	232,485
Utilities	15,658	1,132	1,110	17,900	2,176	629	20,705
Telephone expense	53,789	8,374	4,069	66,232	4,267	1,298	71,797
Advertising	13,182	7,839	31,208	52,229	3	8,175	60,407
Conferences	32,441	4,322	24,424	61,187	1,142	-	62,329
Educational material	15,178	5,511	7,768	28,457	-	-	28,457
Equipment rental and maintenance	32,918	5,389	3,089	41,396	9,151	2,456	53,003
Non capitalizable equipment	-	-	-	-	600	-	600
Insurance	13,538	1,809	439	15,786	2,229	588	18,603
Office expense	15,496	2,255	9,150	26,901	6,664	566	34,131
Payroll processing	1,219	790	285	2,294	5,988	-	8,282
Postage	2,820	968	718	4,506	2,230	1,004	7,740
Printing	4,432	1,683	3,164	9,279	77	9,118	18,474
Professional training	53,176	12,685	5,738	71,599	1,514	-	73,113
Travel expense	127,531	20,215	9,346	157,092	7,078	2,977	167,147
Depreciation	-	-	-	-	27,224	-	27,224
Miscellaneous	-	66	-	66	35,289	2,057	37,412
Dues and subscriptions	23,355	1,108	601	25,064	6,845	6,475	38,384
Subgrant expense	943,870	-	-	943,870	-	-	943,870
	<u>\$ 4,839,491</u>	<u>\$ 547,505</u>	<u>\$ 290,402</u>	<u>\$ 5,677,398</u>	<u>\$ 678,442</u>	<u>\$ 215,373</u>	<u>\$ 6,571,213</u>

The Notes to Financial Statements are an integral part of this statement.

Prevent Child Abuse – New Jersey Chapter, Inc.
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services			Total Program Services	Management and General	Development	Total
	Technical Assistance	Professional Training	Public Education				
Salaries	\$ 1,862,047	\$ 316,434	\$ 73,944	\$ 2,252,425	\$ 370,214	\$ 99,571	\$ 2,722,210
Fringe benefits	500,387	98,699	8,603	607,689	111,441	30,579	749,709
Consultants/professional fees	257,968	44,023	2,146	304,137	32,112	842	337,091
Rent expense	172,410	15,273	4,608	192,291	27,462	8,757	228,510
Utilities	16,897	1,091	404	18,392	2,645	697	21,734
Telephone expense	46,395	9,180	2,763	58,338	7,296	1,572	67,206
Advertising	23,304	7,332	2,431	33,067	--	3,890	36,957
Conferences	44,929	1,814	43	46,786	1,018	--	47,804
Educational material	18,399	8,646	4,440	31,485	--	--	31,485
Equipment rental and maintenance	33,817	6,031	1,323	41,171	7,855	2,121	51,147
Non capitalizable equipment	--	--	--	--	157	22	179
Insurance	12,726	1,747	432	14,905	2,381	614	17,900
Office expense	25,606	2,986	471	29,063	11,814	743	41,620
Payroll processing	1,310	792	153	2,255	5,306	--	7,561
Postage	1,768	621	238	2,627	587	2,362	5,576
Printing	9,184	4,002	1,527	14,713	4,572	6,014	25,299
Professional training	54,166	18,876	10,996	84,038	200	--	84,238
Travel expense	102,217	19,769	6,104	128,090	6,243	2,754	137,087
Depreciation	--	--	--	--	26,429	--	26,429
Miscellaneous	500	1,208	1,378	3,086	11,110	1,459	15,655
Dues and subscriptions	19,577	3,128	249	22,954	5,421	6,679	35,054
Subgrant expense	926,619	--	--	926,619	--	--	926,619
	<u>\$ 4,130,226</u>	<u>\$ 561,652</u>	<u>\$ 122,253</u>	<u>\$ 4,814,131</u>	<u>\$ 634,263</u>	<u>\$ 168,676</u>	<u>\$ 5,617,070</u>

The Notes to Financial Statements are an integral part of this statement.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

1. Organization and Purpose of Corporation

Prevent Child Abuse - New Jersey Chapter Inc. ("PCA-NJ") is a private, New Jersey non-profit corporation. PCA-NJ's mission is to lead statewide efforts in preventing child abuse and neglect, in all of its forms, for all of New Jersey's children. PCA-NJ was incorporated in 1979 and is currently a chartered chapter of Prevent Child Abuse America. PCA-NJ works to fulfill its mission by establishing local partnerships with community-based organizations, providing professional trainings and technical assistance, and by disseminating public education materials to local communities and families. PCA-NJ is primarily supported by State and Federal grants and private donations. PCA-NJ is located in New Brunswick, NJ.

2. Summary of Significant Accounting Policies

Basis of Presentation

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. For the years ended June 30, 2018 and 2017, PCA-NJ had accounting transactions in the unrestricted net asset category, which represents net assets that are not subject to donor imposed restriction, the temporarily restricted net asset category, which represents net assets that are subject to donor imposed time or purpose restrictions, and the permanently restricted net asset category which represents net assets subject to donor imposed restrictions that will not expire by the passage of time, nor be fulfilled or otherwise resolved by actions of PCA-NJ.

Revenue and Support Recognition

PCA-NJ recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

PCA-NJ generally accounts for contract and grant revenues as exchange transactions in the statements of activities and changes in net assets. Reimbursements of expenses under these contracts are recognized to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each program are used as guidance. Unexpended contract funds are recorded as grant or contract payables at the end of the contract period. Funds received in advance of their use are accounted for as deferred revenue in the statements of financial position.

Program fee revenues are obtained from technical assistance and training courses. Revenues from these sources are recognized at the time the service is provided.

In-Kind Donations

Donated rent and equipment is recorded at the fair market value of the property donated. Legal and other services are recorded at fair market value in the period when provided. For the year ended June 30, 2018, PCA-NJ received donated services of \$1,795 and donated materials of \$16,286 aggregating \$18,081 in total in-kind donations. For the year ended June 30, 2017, PCA-NJ received donated materials totaling \$4,488 as in-kind donations.

Accounts Receivable and Collections

PCA-NJ's accounts receivable is unsecured and non-interest bearing. PCA-NJ's invoices are due upon receipt and are considered delinquent after 30 days. PCA-NJ applies payments of accounts receivable to invoices specified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices. Management records a valuation allowance to reduce the carrying value of accounts receivable for amounts it believes will not be collected. PCA-NJ has determined based on this review that no allowance for doubtful accounts was necessary at June 30, 2018 or 2017.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

PCA-NJ considers all highly liquid investments with an initial maturity date of three months or less at the time of acquisition to be cash equivalents.

Investments

Investments consist of corporate stocks and are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including accounts receivable, contributions receivable, prepaid expenses, grants and contracts receivable and payable, accounts payable and accrued expenses, and deferred revenue approximate their fair values because of the relatively short maturity of these instruments.

Functional Allocation of Expenses

The cost of providing program services, management and general, and fundraising expenses have been summarized on a functional basis based on either a direct cost method for charging expenses to each program or function or by using a basis of allocation that is consistent with the benefit derived by each program.

Technical Assistance – provides expertise on child abuse prevention program models to organizations throughout the State of New Jersey to equip professionals with the tools they need to serve families effectively.

Professional Training – provides high quality training to professionals and the general public to enhance and increase their knowledge and competencies.

Public Education – provides public education statewide through presentations, parenting education, and resources to equip professionals, paraprofessionals and the public with the information and skills needed to support families and protect children.

Property and Equipment

Property and equipment purchases are recorded at cost for all items over \$5,000, except for donated items which are recorded at the fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs, and minor renewals are charged to operations as incurred.

Income Taxes

PCA-NJ is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, unless PCA-NJ generates unrelated business income. For the years ending June 30, 2018 and 2017, the Organization has recognized an accrual for estimated taxes due in the amount of \$9,655 and \$0, respectively. PCA-NJ follows the accounting pronouncement regarding uncertain tax positions. PCA-NJ had no unrecognized tax benefits at June 30, 2018 or 2017. There was no tax related interest or penalties included in the financial statements presented.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

2. Summary of Significant Accounting Policies - Continued

Advertising

Advertising is expensed in the period incurred. Advertising expense was \$54,472 and \$38,070 in 2018 and 2017, respectively.

Recent Accounting Pronouncements

In 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2016, the FASB issued ASU 2016-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the combined financial statements.

In 2017, the FASB issued ASU 2017-02, *Leases* (Topic 842), which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The standard is effective on January 1, 2020, with early adoption permitted. The Organization is in the process of evaluating the impact of this new guidance.

In 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Per this ASU, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2018.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

3. Investments

PCA-NJ's investments consist of corporate stock and are comprised of the following at June 30:

	2018	2017
Investment cost	\$ 30,344	\$ 30,344
Unrealized gain	4,602	7,756
Investments, net	<u>\$ 34,946</u>	<u>\$ 38,100</u>

PCA-NJ has reviewed investments within the framework for measuring fair value which establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the assets or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. PCA-NJ's investments are classified as Level 1 investments as they are based on quoted prices in active markets for identical assets.

Investment income related to these investments and interest earned on cash accounts was comprised of the following at June 30:

	2018	2017
Interest and dividends	\$ 4,133	\$ 2,842
Realized gain	3,890	2,003
Unrealized gain	15,839	6,109
Total investment income	<u>\$ 23,862</u>	<u>\$ 10,954</u>

4. Property and Equipment

Property and equipment consisted of the following at June 30, 2018 and 2017:

	Useful Life	2018	2017
Office equipment	5	\$ 307,611	\$ 294,776
Less: accumulated depreciation	N/A	<u>(235,916)</u>	<u>(208,691)</u>
Property and equipment, net		<u>\$ 71,695</u>	<u>\$ 86,085</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$27,224 and \$26,429, respectively.

5. Contributions Receivable

PCA-NJ has contributions receivable of \$1,051 and \$1,051 at June 30, 2018 and 2017, respectively. These contributions are from foundations, corporations, and individuals. Contributions receivable are expected to be collected in 2019.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

6. Grants and Contracts Receivable, Payable and Deferred Revenue

PCA-NJ operates under various grants and contracts. PCA-NJ was due certain amounts from funding sources which resulted from expenditures incurred in excess of payments received, and incurred payables as a result of funds received in excess of expenditures for the current year. Additionally, contract funding received in excess of expenditures spent for contracts that continue into the subsequent year is shown as a component of deferred revenue. Grants and contracts receivable were comprised of the following at June 30:

Grants and Contracts Receivable

	2018	2017
State of New Jersey, Juvenile Justice Commission	\$ 8,300	\$ -
State of New Jersey, Department of Human Services		
Division of Family Development		
GROW NJ Kids Technical Assistance	171,084	-
GROW NJ Kids Incentives	131,871	-
TIP Training Program	75,411	85,951
	<u>\$ 386,666</u>	<u>\$ 85,951</u>

Grants and contracts payable were comprised of the following at June 30:

	2018	2017
State of New Jersey, Department of Human Services		
Division of Child Protection and Permanency		
Parent Education Technical Assistance	\$ 9,573	\$ 7,884
Promoting Success for Expectant & Parenting Teens	27,613	-
Human Trafficking	4,409	345
Healthy Families Program	17,624	7,937
Home Visiting Initiative	13,967	6,104
Maternal Infant Early Childhood Home Visiting	7,332	354
County Council for Young Children	4,427	15,882
Enough Abuse Campaign	-	3,196
Division of Family and Community Partnerships		
Parent Linking Project	15,213	42,119
Division of Family Development		
GROW NJ Kids Technical Assistance	-	787,076
GROW NJ Kids Incentives	-	22,381
TIP Training Program	-	17,883
	<u>\$ 100,158</u>	<u>\$ 911,161</u>

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

7. Commitments

PCA-NJ leases office space for its New Brunswick, New Jersey office and rents additional space for programs. Rent expense, including payments for PCA-NJ's pro-rata share of utilities and common area charges was \$232,485 and \$228,510 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments under non-cancellable leases in the next five years are as follows:

Year Ended June 30	Amount
2019	\$ 232,935
2020	89,110
2021	-
2022	-
2023	-
	<u>\$ 322,045</u>

8. Retirement Plan

PCA-NJ sponsors a 403(B) employee retirement plan (the "Plan") for all eligible employees. Annual employer contributions are made to the Plan for all eligible employees once they have attained two years of service and performed at least 1,000 hours of work within the fiscal year with PCA-NJ. Under the terms of the Plan, effective January 2009, elective employee deferrals up to 6 percent to the Plan are entitled to a 50 percent employer match. It is PCA-NJ's policy to fund the plan currently. Employees are fully and immediately vested upon contributions to the Plan. For the year ended June 30, 2018 and 2017, PCA-NJ contributed \$35,677 and \$26,988 to the Plan.

9. Board Designated Assets

The Board of Trustees has designated monies from the unrestricted net assets to be set aside solely for use at the discretion of the Board. At June 30, 2018 and 2017, components of unrestricted net assets were as follows:

	2018	2017
Unrestricted net assets		
Board designated - not determined	\$ 13,971	\$ 13,971
Board designated - endowment	287,959	287,959
Undesignated	<u>456,941</u>	<u>294,116</u>
Total unrestricted net assets	<u>\$ 758,871</u>	<u>\$ 596,046</u>

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

10. Restricted Net Assets

Components of temporarily restricted net assets at June 30, were as follows:

	2018	2017
Purpose restrictions		
Technical assistance program	\$ 448	\$ 448
Weissman opportunity fund	49,250	49,250
Time restrictions	30,344	30,344
Total temporarily restricted net assets	<u>\$ 80,042</u>	<u>\$ 80,042</u>

Temporarily restricted net assets were released from restrictions for the years ending June 30, as follows:

	2018	2017
Purpose and time restrictions		
Time restrictions	\$ --	\$ --
Purpose restrictions	--	15,000
Total temporarily restricted net assets released from restrictions	<u>\$ --</u>	<u>\$ --</u>

Components of permanently restricted net assets at June 30, are as follows:

	2018	2017
Permanently restricted net assets		
Endowment fund	<u>\$ 20,333</u>	<u>\$ 20,333</u>

11. Endowment Fund

PCA-NJ's endowment consists of one fund established in perpetuity under donor-restricted purposes and one fund established by the Board of Trustees as a board designated endowment. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and net assets associated with board designated endowment funds are classified as unrestricted. The permanently restricted net asset balance represents contributions to the endowment fund. PCA-NJ has established an endowment policy consistent with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The earnings of the funds are restricted or unrestricted based on directives from donors or the Board.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

11. Endowment Fund - Continued

Interpretation of Relevant Law

The Board of Trustees of PCA-NJ has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, PCA-NJ classified as permanently restricted net assets the following: (a) the original value of gifts donated to the permanent endowment fund and (b) the original value of subsequent gifts to the permanent endowment. These instruments contain instruction in which the donor's intent as to purpose and spending policies are explicitly stated. The portion of the donor-restricted endowment fund subject to UPMIFA allows not for profits to adopt prudent spending policies which can allow for the temporary invasion of corpus. Funds not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the PCA-NJ in a manner consistent with the standard of prudence prescribed by state law.

PCA-NJ considers the following factors in making a determination for both donor restricted endowment funds and Board restricted endowment funds to appropriate or accumulate funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the PCA-NJ and the endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the PCA-NJ
- (7) The investment policies of the PCA-NJ

Return Objectives and Risk Parameters

The Board of Trustees of PCA-NJ has appointed an Investment Committee of the Board which manages its investments. The Investment Committee shall make policy recommendations to the Board regarding the management, investment, and control of the assets of the endowment funds. These policies for endowment assets attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as Board restricted endowment funds. Under the policy, the endowment assets are invested to produce results that will provide for permanent, reliable, and secure source of funding for a portion of PCA-NJ's special projects and operations during future years. Actual returns in any given year may vary based on the portfolio investments and the investment strategy having risks and return objectives reasonably suitable to the endowment fund and PCA-NJ.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, PCA-NJ relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

PCA-NJ has a policy of appropriating for distribution amounts directed toward those special, unusual, or emergency needs of PCA-NJ and toward current operating expenses of PCA-NJ for purposes consistent with PCA-NJ's Certificate of Incorporation and Bylaws, at the times and for the specific purposes as determined in the sole discretion of the then-authorized Board of Trustees, subject to any applicable restrictions of donors and the objectives of the endowment fund.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2018 and 2017

11. Endowment Fund - Continued

Changes in endowment assets for the year end June 30, 2018 and 2017 are as follows:

	2018	2017
Balance - beginning of year	\$ 20,333	\$ 12,333
Contributions	<u> --</u>	<u> 8,000</u>
Balance - end of year	<u><u> \$ 20,333</u></u>	<u><u> \$ 20,333</u></u>

12. Concentrations

Credit Risk

Financial investments which potentially subject PCA-NJ to concentrations of credit risk consist of interest bearing cash, cash equivalents and receivables. In an attempt to limit the credit risk, PCA-NJ places all funds with high quality financial institutions. Receivables are due from various governmental agencies or from foundations and the other grantors with whom PCA-NJ has a long history of collecting payment, which reduces the credit risk. At various times throughout the year, PCA-NJ had cash balances in excess of FDIC insurance coverage. PCA-NJ has not experienced any losses.

Economic Dependency

Approximately 93 percent and 93 percent of PCA-NJ's income for the years ended June 30, 2018 and 2017, respectively, was derived from Federal and State of New Jersey funding sources, the loss of which could have a material effect on PCA-NJ.

13. Subsequent Events

PCA-NJ has evaluated subsequent events occurring after the statement of financial position date through November 13, 2018, which is the date the financial statements were available to be issued. Based on the evaluation, PCA-NJ has determined that no subsequent events have occurred, which require disclosure in or adjustment to the financial statements.

SUPPLEMENTARY INFORMATION

**Prevent Child Abuse – New Jersey Chapter, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Award Period	Expenditures
U.S. Department of Health and Human Services:				
Passed Thru State of New Jersey				
Department of Children and Families				
Division of Family and Community Partnerships				
Parent Linking Project - Child Care	93.558	18LRGP	7/1/2017 - 6/30/2018	\$ 44,627
Parent Linking Project - Child Care	93.590	18LRGP	7/1/2017 - 6/30/2018	18,853
				<u>63,480</u>
Department of Children and Families				
Division of Child Protection and Permanency				
Parent Education Technical Assistance	93.558	18LRGM	7/1/2017 - 6/30/2018	26,555
Healthy Families Program - Home Visiting	93.556	18LRGM	7/1/2017 - 6/30/2018	151,691
Healthy Families Program - Home Visiting	93.558	18LRGM	7/1/2017 - 6/30/2018	56,803
Healthy Families Program - Home Visiting	93.870	18LRGM	7/1/2017 - 6/30/2018	51,764
Maternal, Infant, & Early Childhood - Home Visiting	93.870	18LRGM	7/1/2017 - 6/30/2018	293,618
Human Trafficking Prevention	93.590	18LRGM	7/1/2017 - 6/30/2018	19,686
Essex Pregnancy and Parenting Connection - LAUNCH	93.243	18LRGM	7/1/2017 - 6/30/2018	130,104
Essex Pregnancy and Parenting Connection	93.110	18LRGM	7/1/2017 - 6/30/2018	23,127
Essex Pregnancy and Parenting Connection	93.870	18LRGM	7/1/2017 - 6/30/2018	216,802
				<u>970,150</u>
Office of School Linked Services				
Promoting Success for Expectant & Parenting Teens				<u>205,252</u>
Department of Human Services, Division of Family Development				
Temporary Assistance for Needy Families				<u>333,268</u>
				<u>1,572,150</u>
Total U.S. Department of Health and Human Services				
U.S. Department of Education				
Passed Thru State of New Jersey				
Department of Human Services, Division of Family Development				
GROW NJ Kids - Technical Assistance	93.596	TA18001	7/1/2017 - 6/30/2018	2,121,846
GROW NJ Kids - Technical Assistance	93.575	TA18001	7/1/2017 - 6/30/2018	909,362
GROW NJ Kids - Program Incentives	84.412	TA18001	7/1/2017 - 6/30/2018	943,871
				<u>3,975,079</u>
Passed Thru State of New Jersey				
Department of Children and Families				
Division of Child Protection and Permanency				
Middlesex County Council for Young Children	84.412	18LRGM	7/1/2017 - 6/30/2018	53,036
Middlesex County Council for Young Children	93.110	18LRGM	7/1/2017 - 6/30/2018	2,360
				<u>55,396</u>
				<u>4,030,475</u>
Total U.S. Department of Education				
U.S. Department of Justice				
Office for Victims of Crime				
Passed thru State of New Jersey - Juvenile Justice Commission				
My Life My Choice	16.575	N/A	4/1/2018 - 7/31/2018	<u>8,300</u>
				<u>\$ 5,610,925</u>
Total Federal Awards				

See Independent Auditors' Report.
See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

**Prevent Child Abuse – New Jersey Chapter, Inc.
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2018**

State Grantor/Program Title	Award Number	Award Period	Expenditures
State of New Jersey			
Department of Children and Families			
Division of Family and Community Partnerships			
Parent Linking Project - Child Care	18LRGP	7/1/2017 - 6/30/2018	\$ 190,949
			<u>190,949</u>
Division of Child Protection and Permanency			
Healthy Families Program - Home Visiting	18LRGM	7/1/2017 - 6/30/2018	21,224
Parenting Education Technical Assistance	18LRGM	7/1/2017 - 6/30/2018	54,977
Middlesex County Council for Young Children	18LRGM	7/1/2017 - 6/30/2018	17,676
Human Trafficking Prevention	18LRGM	7/1/2017 - 6/30/2018	245,986
			<u>339,863</u>
Office of School Linked Services			
Parent Linking Project Technical Support	18LRGP	7/1/2017 - 6/30/2018	69,967
			<u>69,967</u>
Total Department of Children & Families			<u>600,779</u>
Total State Financial Assistance			<u>\$ 600,779</u>

See Independent Auditors' Report.

See accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2018

1. General Information

The accompanying schedules of expenditures of Federal awards and state financial assistance present the activities in all the Federal and state awards programs of Prevent Child Abuse – New Jersey Chapter, Inc. All financial awards received directly from Federal and state agencies as well as financial awards passed through other governmental agencies or non-profit organizations are included on the schedules.

2. Basis of Accounting

The accompanying schedules of expenditures of Federal awards and state financial assistance are presented using the accrual basis of accounting. The amounts reported in these schedules as expenditures may differ from certain financial reports submitted to Federal and state funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. Relationship to Basic Financial Statements

Expenditures of Federal awards and state financial assistance are generally reported on the statements of functional expenses as program services. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedules of expenditures of Federal awards and state financial assistance due to program expenditures exceeding grant or contract budget limitations, matching or in-kind contributions or capitalization policies required under accounting principles generally accepted in the United States of America.

4. Indirect Cost

PCA-NJ does not have a federally negotiated indirect cost rate and has not elected to use the 10 percent de minimis cost rate as covered in section 200.414 in the Uniform Guidance.



**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**

Independent Auditor's Report

Board of Trustees
Prevent Child Abuse - New Jersey Chapter, Inc.

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 Prevent Child Abuse - New Jersey Chapter, Inc. which comprise the statement of financial position as of June 30, 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 hereon dated November 13, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Prevent Child Abuse - New Jersey Chapter, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prevent Child Abuse - New Jersey Chapter, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Prevent Child Abuse - New Jersey Chapter, Inc.'s 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 entity'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 Prevent Child Abuse - New Jersey Chapter, Inc.'s 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SAX LLP

Clifton, New Jersey
November 13, 2018



**Report On Compliance For Each Major Federal and State Program and
Report On Internal Control Over Compliance Required By
The Uniform Guidance and New Jersey OMB Circular 15-08**

Independent Auditor's Report

Board of Trustees
Prevent Child Abuse - New Jersey Chapter, Inc.

Report on Compliance for Each Major Federal and State Program

We have audited Prevent Child Abuse - New Jersey Chapter, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *New Jersey OMB Circular 15-08, New Jersey Compliance Supplement* that could have a direct and material effect on each of Prevent Child Abuse - New Jersey Chapter, Inc.'s major federal and state programs for the year ended June 30, 2018. Prevent Child Abuse - New Jersey Chapter, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Prevent Child Abuse – New Jersey Chapter, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB Circular 15-08. Those standards and the Uniform Guidance and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Prevent Child Abuse – New Jersey Chapter, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Prevent Child Abuse – New Jersey Chapter, Inc.'s compliance.

Opinion on Each Major Federal and State Program

In our opinion, Prevent Child Abuse – New Jersey Chapter, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Prevent Child Abuse – New Jersey Chapter, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Prevent Child Abuse – New Jersey Chapter, Inc.’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJ OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Prevent Child Abuse – New Jersey Chapter, Inc.’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJ OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

SAX LLP

Clifton, New Jersey
November 13, 2018

Prevent Child Abuse - New Jersey Chapter

Schedule of Findings and Questioned Costs - Federal Awards

Year Ended June 30, 2018

Section I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? No
Significant deficiency(ies) identified? None Reported
Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
Material weakness(es) identified? No
Significant deficiency(ies) identified? None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2CFR 200.516(a)? No

Identification of major programs:

<u>CFDA</u>	<u>Program</u>
93.596 / 93.575 / 84.412	GROW NJ Kids

Dollar threshold to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II. FINANCIAL STATEMENT FINDINGS

None

Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**Prevent Child Abuse – New Jersey Chapter, Inc.
Schedule of Prior Year Findings
Year Ended June 30, 2018**

There were no findings in the prior year.