



PREVENT CHILD ABUSE - NEW JERSEY CHAPTER, INC. AND SUBSIDIARY

Financial Statements

Years Ended June 30, 2019 and 2018

With Independent Auditor's Reports

Prevent Child Abuse – New Jersey Chapter, Inc.
Table of Contents
Years Ended June 30, 2019 and 2018

Independent Auditor’s Report	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to Financial Statements	8-19
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	20
Schedule of Expenditures of State Financial Assistance.....	21
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.....	22
Independent Auditor’s 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	23-24
Independent Auditor’s Report on Compliance for each Major Federal and State Programs and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State of New Jersey OMB Circular 15-08.....	25-26
Schedule of Findings and Questioned Costs - Federal Awards	27
Schedule of Prior Year Findings	28



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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Prevent Child Abuse - New Jersey Chapter, Inc., adopted as of July 1, 2018, the provisions of Accounting Standards Update 2016-14 Not-For-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-For-Profit Entities. The Organization also early adopted as of July 1, 2018, the provisions of Accounting Standards Update 2016-18 Not-For-Profit Entities (Topic 958) - Statement of Cash Flows: Restricted Cash. Our opinion is not modified with respect to these matters.

Report on Supplementary Information Required Under Uniform Guidance and NJ OMB 15-08 and in Relation to the 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 18, 2019 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 18, 2019

Prevent Child Abuse – New Jersey Chapter, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 1,149,558	\$ 489,908
Investments	39,978	34,946
Contributions receivable	--	1,051
Grants and contracts receivable	785,125	386,666
Accounts receivable	62,225	40,775
Prepaid expenses	91,161	94,637
Total current assets	<u>2,128,047</u>	<u>1,047,983</u>
Property and equipment, net	<u>90,945</u>	<u>71,695</u>
Other assets		
Investments - board restricted	389,604	370,051
Investments - donor restricted	20,333	20,333
Security deposits	13,238	11,707
	<u>423,175</u>	<u>402,091</u>
	<u>\$ 2,642,167</u>	<u>\$ 1,521,769</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 572,665	\$ 553,539
Deferred revenue	858,534	8,826
Grants and contracts payable	116,512	100,158
Total current liabilities	<u>1,547,711</u>	<u>662,523</u>
Net assets		
Without donor restrictions	1,024,425	758,871
With donor restrictions	70,031	100,375
Total net assets	<u>1,094,456</u>	<u>859,246</u>
	<u>\$ 2,642,167</u>	<u>\$ 1,521,769</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, 2019 and 2018

	2019			2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues						
Grants and contracts	\$ 5,344,793	\$ --	\$ 5,344,793	\$ 6,237,287	\$ --	\$ 6,237,287
Program fee revenue	127,829	--	127,829	107,332	--	107,332
Contributions	147,826	--	147,826	133,030	--	133,030
Other income	12,563	--	12,563	19,317	--	19,317
In-kind donations	16,297	--	16,297	18,081	--	18,081
Investment (loss) income	32,304	--	32,304	23,861	--	23,861
Special events income (net of donor received benefits of \$92,105 and \$43,615 in 2019 and 2018 respectively)	111,371	--	111,371	195,130	--	195,130
	<u>5,792,983</u>	<u>--</u>	<u>5,792,983</u>	<u>6,734,038</u>	<u>--</u>	<u>6,734,038</u>
Net assets released from restrictions	30,344	(30,344)	--	--	--	--
	<u>5,823,327</u>	<u>(30,344)</u>	<u>5,792,983</u>	<u>6,734,038</u>	<u>--</u>	<u>6,734,038</u>
Expenses						
Program services	4,749,205	--	4,749,205	5,677,398	--	5,677,398
Management and general	642,054	--	642,054	678,442	--	678,442
Development	166,514	--	166,514	215,373	--	215,373
	<u>5,557,773</u>	<u>--</u>	<u>5,557,773</u>	<u>6,571,213</u>	<u>--</u>	<u>6,571,213</u>
Changes in net assets	265,554	(30,344)	235,210	162,825	--	162,825
Net assets, beginning year	758,871	100,375	859,246	596,046	100,375	696,421
Net assets, end of year	<u>\$ 1,024,425</u>	<u>\$ 70,031</u>	<u>\$ 1,094,456</u>	<u>\$ 758,871</u>	<u>\$ 100,375</u>	<u>\$ 859,246</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, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Changes in net assets	\$ 235,210	\$ 162,825
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities		
Depreciation	33,293	27,224
Realized loss (gain) on board restricted investments	(1,459)	(7,463)
Unrealized loss (gain) on unrestricted investments	(5,031)	3,154
Unrealized loss (gain) on board restricted investments	(11,011)	(15,419)
Changes in assets and liabilities		
Contributions receivable	1,051	--
Grants and contracts receivable	(398,459)	(300,715)
Accounts receivable	(21,450)	(23,145)
Prepaid expenses	3,476	(4,716)
Security deposits	(1,531)	--
Accounts payable and accrued expenses	19,126	171,943
Grants and contracts payable	16,354	(811,003)
Deferred revenue	849,708	(24,601)
Net cash (used for) provided by operating activities	<u>719,277</u>	<u>(821,916)</u>
Cash flows from investing activities		
Additions to property and equipment	(52,544)	(12,835)
Purchases of board restricted investments	(7,083)	(45,238)
Net cash (used for) investing activities	<u>(59,627)</u>	<u>(58,073)</u>
Net increase (decrease) in cash and cash equivalents	659,650	(879,989)
Beginning of year - Cash and cash equivalents	489,908	1,369,897
Total End of Year Cash and Cash Equivalents	<u>\$ 1,149,558</u>	<u>\$ 489,908</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, 2019

	Program Services				Management and General	Development	Total
	Technical Assistance	Professional Training	Public Education	Total Program Services			
Salaries	\$ 2,261,261	\$ 316,865	\$ 86,669	\$ 2,664,795	\$ 373,538	\$ 100,619	\$ 3,138,952
Fringe benefits	698,027	71,949	17,877	787,853	94,834	30,283	912,970
Consultants/professional fees	290,393	14,466	1,493	306,352	29,880	1,283	337,515
Rent expense	182,938	15,773	4,347	203,058	30,223	8,950	242,231
Utilities	16,899	1,498	277	18,674	2,506	695	21,875
Telephone expense	51,702	8,015	2,149	61,866	6,418	1,263	69,547
Advertising	5,568	5,522	4,023	15,113	620	7,044	22,777
Conferences	32,389	-	-	32,389	-	-	32,389
Educational material	6,803	14,607	13,287	34,697	-	-	34,697
Equipment rental and maintenance	32,160	7,268	978	40,406	7,410	2,140	49,956
Insurance	13,614	1,612	367	15,593	2,459	584	18,636
Office expense	15,872	2,055	533	18,460	7,580	807	26,847
Payroll processing	1,025	728	134	1,887	5,870	-	7,757
Postage	2,319	1,096	904	4,319	585	547	5,451
Printing	7,591	2,553	504	10,648	2,686	6,180	19,514
Professional training	66,383	15,017	4,883	86,283	1,299	-	87,582
Travel expense	129,368	19,779	4,841	153,988	12,201	2,418	168,607
Depreciation	-	-	-	-	33,293	-	33,293
Miscellaneous	-	-	-	-	25,009	-	25,009
Dues and subscriptions	18,404	2,049	1,260	21,713	5,643	3,701	31,057
Subgrant expense	271,111	-	-	271,111	-	-	271,111
	<u>\$ 4,103,827</u>	<u>\$ 500,852</u>	<u>\$ 144,526</u>	<u>\$ 4,749,205</u>	<u>\$ 642,054</u>	<u>\$ 166,514</u>	<u>\$ 5,557,773</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, 2018

	Program Services			Total Program Services	Management and General	Development	Total
	Technical Assistance	Professional Training	Public Education				
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.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

1. Organization and Purpose of Corporations

Prevent Child Abuse - New Jersey Chapter Inc. ("PCA-NJ") or the "Organization" 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.

The Child Wellness Institute of New Jersey ("CWI") is a private New Jersey non-profit corporation and is a wholly owned subsidiary of PCA-NJ. CWI was incorporated in 2019 to market, sell, and administer training and educational programs to the public related to strengthening child health and development, positive parenting, and preventing any form of child maltreatment. CWI is supported by fees it charges for its programs, in addition to public and private grants and donations. CWI shares a common Board of Trustees as PCA-NJ with its offices located in the headquarters of PCA-NJ. CWI had no transactions for the year ending June 30, 2019.

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, 2019 and 2018, PCA-NJ had accounting transactions in the net assets without donor restrictions category and the net assets with donor restrictions category. Net assets with donor restrictions represent net assets subject to donor imposed time or purpose restrictions (temporary), or donor imposed restrictions that will not expire with the passage of time nor be fulfilled or otherwise resolved by actions of PCA-NJ (permanent).

Revenue and Support Recognition

PCA-NJ and its subsidiary recognize 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

PCA-NJ and its subsidiary generally account 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, 2019, PCA-NJ received donated services of \$950 and donated materials of \$15,347 aggregating \$16,297 in total in-kind donations. For the year ended June 30, 2018, PCA-NJ received services of \$1,795 and donated materials of \$16,286 aggregating \$18,081 in total in-kind donations.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

3. Summary of Significant Accounting Policies - Continued

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, 2019 or 2018.

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 and its subsidiary consider 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 are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at fair value in the statements of financial position, and changes in fair value are reported as investment income in the statements of activities. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to an entity's assumptions and are follows:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
 - Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

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 net assets without donor restrictions, 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 and by natural classification within each functional area.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

Functional Allocation of Expenses - Continued

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.

Expenses are charged to each program, function, or department on either a direct cost method or by using some method of allocation that is consistent with the benefit derived by each.

Direct Cost Method – expenses that are identified as being for the benefit of only one program, function, or department are charged entirely to that program, function, or department, and in the appropriate natural classification.

Allocation Method – allocation methods are determined based on the particular expense's natural classification. Specific allocation methods utilized are:

Salary Percentage – salaries are allocated based on the percentage of time each employee works in a program, function, or department. Personnel related expenses such as payroll taxes and fringe benefits are allocated using the same percentages as salaries for each employee.

Square Footage – rent is allocated based on the square footage of space each program or department utilizes as a percentage of the total square footage of leased space. Related facility costs such as utilities and insurance are allocated using the same percentages for the respective programs and departments.

Approved Contract Budget – certain state contracts, thru the budget negotiation and approval process, have allowed for the allocation to the programs within the contract a fixed portion of the total annual amount budgeted for certain expenses. After allocation of the pre-approved fixed amount to the programs, any remaining expense is charged to management and general. Expenses such as audit fees and payroll processing fees fall under this allocation method.

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 and its subsidiary are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, unless they generate unrelated business income. For the years ending June 30, 2019 and 2018, PCA-NJ has recognized an accrual for estimated taxes due in the amount of \$0 and \$9,655, respectively. The Organizations follow the accounting pronouncement regarding uncertain tax positions. PCA-NJ had no unrecognized tax benefits at June 30, 2019 or 2018. There was no tax related interest or penalties included in the financial statements presented.

Advertising

Advertising is expensed in the period incurred. Advertising expense was \$22,777 and \$60,407 in 2019 and 2018, respectively.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

2. Summary of Significant Accounting Policies - Continued

Recent Accounting Pronouncements

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 has adopted ASU 2016-14 for its 2019 financial statements and has re-stated its 2018 financial statements accordingly.

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. The Organization has early adopted ASU 2018-18 for its 2019 financial statements and has re-stated its 2018 financial statements accordingly.

Pending 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 determined that the pronouncement will have no effect on the combined financial statements.

In 2017, the FASB issued ASU 2016-02, *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 for fiscal years ending after December 31, 2019, with early adoption permitted. The Organization is in the process of evaluating the impact of this new guidance.

3. Liquidity and Funds Availability

PCA-NJ considers cash and cash equivalents, contributions receivable, grants and contracts receivable, accounts receivable, and investments that are not Board restricted or permanently restricted when analyzing financial assets available within one year of the balance sheet date for general expenditures.

As part of its liquidity management and in order to ensure a sufficient amount of funds to meet anticipated general operating expenditures, cash flow forecasts over a seven to eight-month time horizon are compiled, reviewed, and updated several times throughout the course of a month. Financial assets consisting of cash and cash equivalents are maintained in demand deposit and money market accounts at FDIC insured financial institutions and are monitored on a daily basis. Grants and contracts receivable, along with accounts receivable, are reviewed on a monthly basis to ensure collectability. Investments that are not Board restricted or permanently restricted, consist of shares of stock of a major New York Stock Exchange corporation, and are monitored at the end of each month for any change in value.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

3. Liquidity and Funds Availability - Continued

At June 30, 2019 and 2018, financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2019	2018
Cash and cash equivalents	\$ 1,033,046	\$ 389,750
Contributions receivable	-	1,051
Grants and contracts receivable	785,125	386,666
Accounts receivable	62,225	40,775
Investments	39,978	34,946
	<u>\$ 1,920,374</u>	<u>\$ 853,188</u>

4. Investments

PCA-NJ has investments that contain no restrictions, and investments that are board restricted and permanently restricted.

PCA-NJ's investments that contain no restrictions consist of corporate stock and are comprised of the following at June 30:

	2019	2018
Investments at cost	\$ 30,344	\$ 30,344
Unrealized gain	9,634	4,602
Investments, net	<u>\$ 39,978</u>	<u>\$ 34,946</u>

PCA-NJ's investments that contain restrictions consist of exchange-traded funds with a major brokerage firm and a community area foundation for non-profits and are as follows at June 30.

	2019	2018
Investments - board restricted	\$ 389,604	\$ 370,051
Investments - permanently restricted	20,333	20,333
	<u>\$ 409,937</u>	<u>\$ 390,384</u>

PCA-NJ has reviewed its investments within the framework of the fair value hierarchy for measuring fair value that has been established by US GAAP. PCA-NJ's investments are classified within the fair value hierarchy as follows at June 30:

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

4. Investments - Continued

	<u>2019</u>	<u>2018</u>
Investments with no restrictions:		
Level 1	<u>\$ 39,978</u>	<u>\$ 34,946</u>
Investments with restrictions:		
Board restrictions:		
Level 1	\$ 218,600	\$ 204,311
Level 3	<u>171,004</u>	<u>165,740</u>
	\$ 389,604	\$ 370,051
Donor restrictions		
Level 1	<u>\$ 20,333</u>	<u>\$ 20,333</u>

Level 1 assets consist of money market funds, equities, and exchange traded funds where quoted market prices are available at the measurable date. Level 3 investments are a pool investment fund maintained with a third party and allocated between equities and other investments of which there is no observable market data.

Activity relating to Level 3 investments was comprised of the following for the years ending June 30:

	<u>2019</u>	<u>2018</u>
Beginning Balance	\$ 165,740	\$ 153,706
Realized Gain (Loss)	(986)	3,890
Unrealized Gain (Loss)	4,870	7,301
Interest & Dividends, net	<u>1,380</u>	<u>843</u>
Ending Balance	<u>\$ 171,004</u>	<u>\$ 165,740</u>

Investment income related to these investments, both unrestricted, board restricted, and permanently restricted, was comprised of the following at June 30:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 14,803	\$ 4,133
Realized gains	1,459	7,463
Unrealized gain (loss) - unrestricted	5,031	(3,154)
Unrealized gain - board and permanently restricted	<u>11,011</u>	<u>15,419</u>
Total investment income	<u>\$ 32,304</u>	<u>\$ 23,861</u>

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

5. Property and Equipment

Property and equipment consisted of the following at June 30, 2019 and 2018:

	Useful Life	2019	2018
Office equipment	5 Years	\$ 360,154	\$ 307,611
Less: accumulated depreciation	N/A	(269,209)	(235,916)
Property and equipment, net		<u>\$ 90,945</u>	<u>\$ 71,695</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$33,293 and \$27,224, respectively.

6. Contributions Receivable

PCA-NJ has contributions receivable of \$0 and \$1,051 at June 30, 2019 and 2018, respectively. These contributions are from foundations, corporations, and individuals.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

7. 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:

	2019	2018
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	610,012	171,084
GROW NJ Kids Incentives	-	131,871
TIP Training Program	171,902	75,411
State of New Jersey, Department of State		
Office of Faith Based Initiatives	3,211	-
	<u>\$ 785,125</u>	<u>\$ 386,666</u>

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

	2019	2018
State of New Jersey, Department of Human Services		
Division of Child Protection and Permanency		
Parent Education Technical Assistance	\$ 16,079	\$ 9,573
Promoting Success for Expectant & Parenting Teens	195	27,613
Human Trafficking	5,316	4,409
Healthy Families Program	17,631	17,624
Home Visiting Initiative	46,153	13,967
Maternal Infant Early Childhood Home Visiting	7,333	7,332
County Council for Young Children	21,575	4,427
Division of Family and Community Partnerships		
Parent Linking Project	2,230	15,213
	<u>\$ 116,512</u>	<u>\$ 100,158</u>

Deferred revenue was comprised of the following at June 30, 2019 and 2018:

	2019	2018
March of Dimes	\$ 11,161	\$ 8,826
GROW NJ Kids Incentives	847,373	-
	<u>\$ 858,534</u>	<u>\$ 8,826</u>

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

8. 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 \$242,231 and \$232,485 for the years ended June 30, 2019 and 2018, respectively.

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

Year Ended June 30	Amount
2020	\$ 235,385
2021	147,955
2022	149,634
2023	151,314
2024	152,993
	<u>\$ 837,281</u>

9. 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, 2019 and 2018, PCA-NJ contributed \$43,333 and \$35,677 to the Plan.

10. Board Designated Assets

The Board of Trustees has designated monies from net assets without donor restrictions to be set aside solely for use at the discretion of the Board. At June 30, 2019 and 2018, components of net assets without donor restrictions were as follows:

	2019	2018
Net assets without donor restrictions		
Board designated - not determined	\$ 13,971	\$ 13,971
Board designated - endowment	318,303	287,959
Undesignated	692,151	456,941
Total net assets without donor restrictions	<u>\$ 1,024,425</u>	<u>\$ 758,871</u>

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

11. Net Assets with Donor Restrictions

Components of net assets with donor restrictions at June 30, were as follows:

	2019	2018
Purpose restrictions		
Technical assistance program	\$ 448	\$ 448
Weissman opportunity fund	49,250	49,250
Time restrictions	--	30,344
Permanent restrictions		
Endowment Fund	20,333	20,333
	<u>\$ 70,031</u>	<u>\$ 100,375</u>

12. 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 net assets without donor restrictions. The permanently restricted amount of net assets with donor restrictions 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.

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 PCA-NJ in a manner consistent with the standard of prudence prescribed by state law.

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

12. Endowment Fund - Continued

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 PCA-NJ
- (7) The investment policies of 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.

Changes in endowment assets for the year end June 30, 2019 and 2018 are as follows:

	2019	2018
Balance - beginning of year	\$ 20,333	\$ 20,333
Contributions	<u> -- </u>	<u> -- </u>
Balance - end of year	<u><u>\$ 20,333</u></u>	<u><u>\$ 20,333</u></u>

Prevent Child Abuse – New Jersey Chapter, Inc.
Notes to Financial Statements
Years Ended June 30, 2019 and 2018

13. 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 92 percent and 93 percent of PCA-NJ's income for the years ended June 30, 2019 and 2018, respectively, was derived from Federal and State of New Jersey funding sources, the loss of which could have a material effect on PCA-NJ.

14. Subsequent Events

PCA-NJ has evaluated subsequent events occurring after the statement of financial position date through November 18, 2019, 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, 2019**

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	19LRGP	7/1/2018 - 6/30/2019	\$ 46,853
Promoting Success for Expectant & Parenting Teens	93.590	19LRGP	7/1/2018 - 6/30/2019	34,896
				<u>81,749</u>
Department of Children and Families				
Division of Child Protection and Permanency				
Parent Education Technical Assistance	93.558	19LRGM	7/1/2018 - 6/30/2019	27,554
Healthy Families Program - Home Visiting	93.556	19LRGM	7/1/2018 - 6/30/2019	161,181
Healthy Families Program - Home Visiting	93.558	19LRGM	7/1/2018 - 6/30/2019	60,365
Healthy Families Program - Home Visiting	93.870	19LRGM	7/1/2018 - 6/30/2019	54,999
Maternal, Infant, & Early Childhood - Home Visiting	93.870	19LRGM	7/1/2018 - 6/30/2019	313,803
Human Trafficking Prevention	93.590	19LRGM	7/1/2018 - 6/30/2019	19,940
Human Trafficking Prevention	93.558	19LRGM	7/1/2018 - 6/30/2019	249,153
Essex Pregnancy and Parenting Connection - LAUNCH	93.243	19LRGM	7/1/2018 - 6/30/2019	20,388
Essex Pregnancy and Parenting Connection	93.110	19LRGM	7/1/2018 - 6/30/2019	18,122
Essex Pregnancy and Parenting Connection	93.434	19LRGM	7/1/2018 - 6/30/2019	45,306
Essex Pregnancy and Parenting Connection	93.870	19LRGM	7/1/2018 - 6/30/2019	226,500
				<u>1,197,311</u>
Department of Human Services, Division of Family Development				
Temporary Assistance for Needy Families	93.558	TS19023	7/1/2018 - 12/31/2019	343,809
				<u>343,809</u>
Total U.S. Department of Health and Human Services				<u>1,622,869</u>
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	TA19001	7/1/2018 - 6/30/2020	1,984,093
GROW NJ Kids - Technical Assistance	93.575	TA19001	7/1/2018 - 6/30/2020	999,506
GROW NJ Kids - Program Incentives	84.412	TA19001	7/1/2018 - 6/30/2020	322,152
				<u>3,305,751</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	19LRGM	7/1/2018 - 6/30/2019	25,467
Middlesex County Council for Young Children	93.434	19LRGM	7/1/2018 - 6/30/2019	28,927
Middlesex County Council for Young Children	93.558	19LRGM	7/1/2018 - 6/30/2019	1,157
Middlesex County Council for Young Children	93.110	19LRGM	7/1/2018 - 6/30/2019	2,315
				<u>57,866</u>
Total U.S. Department of Education				<u>3,363,617</u>
U.S. Department of Justice				
Passed thru State of New Jersey				
New Jersey Juvenile Justice Commission	16.575	N/A	4/1/2018 - 7/31/2018	5,000
				<u>5,000</u>
Total Federal Awards				<u>\$ 4,991,486</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.
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2019**

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	19LRGP	7/1/2018 - 6/30/2019	\$ 200,524 <u>200,524</u>
Division of Child Protection and Permanency Healthy Families Program - Home Visiting	19LRGM	7/1/2018 - 6/30/2019	22,549
Parenting Education Technical Assistance	19LRGM	7/1/2018 - 6/30/2019	57,045 <u>79,594</u>
Total Department of Children & Families			<u>280,118</u>
Office of Faith Based Initiatives Child Wellness Institute	OFBI19SE2D-023	7/1/2018 - 6/30/2019	<u>8,211</u>
Total State Financial Assistance			<u>\$ 288,329</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, 2019

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.
New Brunswick, 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 Prevent Child Abuse - New Jersey Chapter, Inc. which comprise the statement of financial position as of June 30, 2019 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 18, 2019.

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 18, 2019



**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.
New Brunswick, New Jersey

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, 2019. 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, 2019.

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 18, 2019

Prevent Child Abuse - New Jersey Chapter

Schedule of Findings and Questioned Costs - Federal Awards

Year Ended June 30, 2019

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	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, 2019**

There were no findings in the prior year.