

BERKS CONNECTIONS/PRETRIAL SERVICES

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Berks Connections/Pretrial Services
Reading, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of Berks Connections/Pretrial Services (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 in the first paragraph present fairly, in all material respects, the financial position of Berks Connections/Pretrial Services as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2021, on our consideration of the Organization'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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
May 26, 2021**

BERKS CONNECTIONS/PRETRIAL SERVICES

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 552,284	\$ 268,739
Accounts receivable	5,695	12,197
Grants receivable	126,650	208,140
Prepaid expenses	<u>11,885</u>	<u>12,917</u>
TOTAL CURRENT ASSETS	696,514	501,993
INVESTMENTS	351,807	277,943
UNEMPLOYMENT RESERVE ACCOUNT	5,196	12,405
LEASEHOLD IMPROVEMENTS AND EQUIPMENT , less accumulated depreciation of \$135,706 in 2020 and \$117,276 in 2019	<u>110,245</u>	<u>128,087</u>
TOTAL ASSETS	<u><u>\$ 1,163,762</u></u>	<u><u>\$ 920,428</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ -	\$ 25,500
Accounts payable	7,114	4,947
Accrued payroll and payroll taxes	28,389	50,037
Current portion of note payable	12,182	11,516
Paycheck Protection Program loan	<u>308,994</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	356,679	92,000
NOTE PAYABLE	<u>23,019</u>	<u>35,200</u>
TOTAL LIABILITIES	379,698	127,200
NET ASSETS		
Without donor restrictions	<u>784,064</u>	<u>793,228</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,163,762</u></u>	<u><u>\$ 920,428</u></u>

See accompanying notes.

BERKS CONNECTIONS/PRETRIAL SERVICES

STATEMENTS OF ACTIVITIES

	Year Ended December 31	
	2020	2019
WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT		
County release program	\$ 492,077	\$ 622,128
Fee for service contracts	261,492	743,728
Program services	1,000	1,000
Government grants deemed contributions	806,610	927,210
United Way allocation	110,455	121,960
Contributions	126,594	105,755
Special events, net of expenses		
\$567 - 2020 and \$10,660 - 2019	28,782	20,673
Investment return	81,365	49,731
Interest income	2,656	2,810
	<hr/>	<hr/>
TOTAL REVENUES AND SUPPORT	1,911,031	2,594,995
EXPENSES		
Program expenses	1,680,327	2,061,546
Supporting services:		
Management and general	165,473	115,237
Fundraising	74,395	74,138
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TOTAL EXPENSES	1,920,195	2,250,921
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INCREASE (DECREASE) IN NET ASSETS	(9,164)	344,074
NET ASSETS AT BEGINNING OF YEAR	793,228	449,154
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NET ASSETS AT END OF YEAR	\$ 784,064	\$ 793,228
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See accompanying notes.

BERKS CONNECTIONS/PRETRIAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Program Services					Supporting Services		
	Community Release	Reentry	Rebuilding Reentrants and Reading	Community Outreach	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 326,066	\$ 458,905	\$ 277,760	\$ 24,153	\$ 1,086,884	\$ 60,383	\$ 60,383	\$ 1,207,650
Employee benefits	23,790	44,390	27,756	-	95,936	1,208	1,983	99,127
Payroll taxes	28,378	39,325	23,802	2,070	93,575	4,956	4,956	103,487
Total payroll and related expenses	378,234	542,620	329,318	26,223	1,276,395	66,547	67,322	1,410,264
Insurance	5,590	8,300	3,049	-	16,939	-	-	16,939
Parking	3,740	7,326	4,521	402	15,989	-	402	16,391
Local travel	1,099	3,064	1,157	289	5,609	115	58	5,782
Contractual agreements	-	-	118,820	-	118,820	-	-	118,820
Reentry expenses	-	22,185	8,490	757	31,432	-	-	31,432
Housing programs rent expense	-	8,822	-	-	8,822	-	-	8,822
Office supplies	4,980	7,394	2,716	-	15,090	-	-	15,090
Rent	16,984	47,581	24,960	-	89,525	-	-	89,525
Telephone	5,239	11,133	-	-	16,372	-	-	16,372
Equipment lease	2,990	4,485	-	-	7,475	-	-	7,475
Postage	723	1,446	-	-	2,169	-	240	2,409
IT support	33,999	23,509	10,749	-	68,257	-	3,460	71,717
Conference fees	200	711	199	-	1,110	458	279	1,847
Advertising, printing, and marketing	293	117	820	117	1,347	1,873	2,634	5,854
Dues and subscriptions	-	-	-	-	-	7,084	-	7,084
Professional fees	-	-	-	-	-	31,793	-	31,793
Other	-	-	-	-	-	22,616	-	22,616
Community outreach	-	-	-	4,976	4,976	-	-	4,976
Interest expense	-	-	-	-	-	2,533	-	2,533
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	454,071	688,693	504,799	32,764	1,680,327	133,019	74,395	1,887,741
Depreciation	-	-	-	-	-	32,454	-	32,454
TOTAL FUNCTIONAL EXPENSES	<u>\$ 454,071</u>	<u>\$ 688,693</u>	<u>\$ 504,799</u>	<u>\$ 32,764</u>	<u>\$ 1,680,327</u>	<u>\$ 165,473</u>	<u>\$ 74,395</u>	<u>\$ 1,920,195</u>

See accompanying notes.

BERKS CONNECTIONS/PRETRIAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program Services					Supporting Services		
	Community Release	Reentry	Rebuilding Reentrants and Reading	Community Outreach	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 372,870	\$ 519,881	\$ 264,247	\$ 25,715	\$ 1,182,713	\$ 38,752	\$ 64,287	\$ 1,285,752
Employee benefits	35,347	70,619	29,842	-	135,808	8,735	1,054	145,597
Payroll taxes	30,607	44,721	19,655	2,110	97,093	3,166	5,276	105,535
Total payroll and related expenses	438,824	635,221	313,744	27,825	1,415,614	50,653	70,617	1,536,884
Insurance	6,869	10,303	3,851	-	21,023	-	-	21,023
Parking	6,147	13,382	6,078	1,608	27,215	-	804	28,019
Local travel	6,594	15,398	1,561	438	23,991	181	36	24,208
Contractual agreements	-	-	192,041	-	192,041	-	-	192,041
Reentry expenses	-	84,597	-	1,093	85,690	-	-	85,690
Housing programs rent expense	-	43,439	-	-	43,439	-	-	43,439
Office supplies	2,543	7,629	11,512	-	21,684	-	-	21,684
Rent	16,825	38,284	16,360	-	71,469	-	-	71,469
Telephone	11,784	5,720	-	-	17,504	-	-	17,504
Equipment lease	2,975	4,412	-	-	7,387	-	-	7,387
Postage	1,230	2,461	-	-	3,691	-	412	4,103
Software maintenance	45,751	25,571	-	-	71,322	-	-	71,322
Conference fees	2,083	6,250	-	-	8,333	726	-	9,059
Advertising, printing, and marketing	1,681	4,453	-	-	6,134	-	2,269	8,403
Dues and subscriptions	-	-	-	-	-	6,751	-	6,751
Professional fees	-	-	-	-	-	30,307	-	30,307
Other	-	-	-	-	-	20,483	-	20,483
Community outreach	-	-	-	14,810	14,810	-	-	14,810
Interest expense	-	-	-	-	-	6,136	-	6,136
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	543,306	897,120	545,147	45,774	2,031,347	115,237	74,138	2,220,722
Depreciation	8,346	16,270	5,583	-	30,199	-	-	30,199
TOTAL FUNCTIONAL EXPENSES	<u>\$ 551,652</u>	<u>\$ 913,390</u>	<u>\$ 550,730</u>	<u>\$ 45,774</u>	<u>\$ 2,061,546</u>	<u>\$ 115,237</u>	<u>\$ 74,138</u>	<u>\$ 2,250,921</u>

See accompanying notes.

BERKS CONNECTIONS/PRETRIAL SERVICES

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (9,164)	\$ 344,074
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,454	30,199
Realized (gain) loss on investments	3,719	(2,715)
Unrealized (gain) loss on investments	(85,157)	(45,672)
Change in:		
Accounts receivable	6,502	(11,847)
Grants receivable	81,490	(37,526)
Prepaid expenses	1,032	(7,008)
Unemployment reserve account	7,209	9,547
Accounts payable	2,167	(32,854)
Accrued payroll and payroll taxes	(21,648)	(340)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18,604	245,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	7,574	-
Purchases of investments	-	(8,857)
Purchases of leasehold improvements and equipment	(14,612)	(31,987)
NET CASH USED BY INVESTING ACTIVITIES	(7,038)	(40,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on line of credit	(25,500)	(99,500)
Proceeds from note payable	-	49,500
Proceeds from Paycheck Protection Program loan	308,994	-
Repayments of capital lease obligation	-	(1,707)
Repayments of note payable	(11,515)	(2,784)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	271,979	(54,491)
NET INCREASE IN CASH	283,545	150,523
CASH AT BEGINNING OF YEAR	268,739	118,216
CASH AT END OF YEAR	\$ 552,284	\$ 268,739
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 2,533	\$ 6,136

See accompanying notes.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Berks Connections/Pretrial Services (the "Organization") is a nonprofit organization incorporated in April 1975. The Organization's name was changed from Berks County Prison Society, Inc. effective April 1, 2005. The Organization provides services, support, and community-based outreach to adult offenders, at-risk youth, and their families through successful community reintegration and pretrial-related assistance. The Organization provides criminal justice services to the Berks County Jail System to assist in relieving jail overcrowding and to ensure the criminal justice system operates efficiently.

The Organization received approximately 67% of its total revenues for the year ended December 31, 2020, from the County of Berks, Department of Corrections, and Berks County Workforce Development Board. As of December 31, 2020, grants receivable included \$41,595 relating to the Department of Corrections and \$44,538 relating to the Berks County Workforce Development Board.

The Organization received approximately 76% of its total revenues for the year ended December 31, 2019, from the County of Berks, Department of Corrections, and Department of Labor. As of December 31, 2019, grants receivable included \$141,240 relating to the Department of Corrections.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash

For purposes of the statements of cash flows, the Organization considers all highly-liquid investments to be cash on the accompanying statement of financial position. At various times during the years, the Organization may have cash balances in excess of the federally insured limit in deposit accounts at local banks.

Accounts Receivable

Accounts receivable are carried at cost, less allowance for losses. The allowance for losses is determined using experience and evaluation of collectible accounts by management. An account is written off when it is determined collection efforts have been exhausted. The Organization considers all accounts receivable to be collectible as of December 31, 2020 and 2019.

Grants Receivable

The Organization bases its grants receivable on the reimbursement of program service fees or grant funds for expenses recognized during the reporting period. Therefore, grants receivable are recorded at their net realizable value and no allowance for doubtful accounts is deemed necessary.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments in mutual funds are measured at fair value in the statement of financial position. Investment return, including gains and losses of investments, interest and dividends, and investment fees are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

Leasehold Improvements and Equipment

Leasehold improvements and equipment are stated at cost, if purchased, and at estimated fair market value at date of donation, if donated. The Organization's policy is to capitalize any assets in excess of \$1,000 with an estimated useful life of more than one year. Leasehold improvements and equipment are being depreciated over their estimated useful lives by the straight-line method follows:

Leasehold improvements	15 years
Office furniture and equipment	3 - 10 years
Vehicles	5 years

Maintenance and repairs of leasehold improvements and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of leasehold improvements and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Net Assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received, and expenses incurred in conducting the Organization's charitable mission are included in this category.

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Organization has been limited by donors to later periods of time or after specified dates, or to specified purposes.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), the Organization recognizes revenue when control of the promised goods or services is transferred to the Organization's outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The standard outlines a five-step process whereby revenue is recognized as performance obligations within a contract are satisfied. The Organization records the following exchange transaction revenue in its statement of activities:

Contract and Fee for Service Revenue

The Organization contracts with the County of Berks to provide the community release program and the Pennsylvania Department of Corrections (DOC) to provide workforce development, mentoring, and housing assistance services. The County of Berks provides a contract agreement to determine the funding for the program. The DOC sets the payment rate and determines the individuals who will receive services. Revenue is recognized at the end of the month upon completion of services.

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Organization. The fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statement of activities. The performance obligation is delivery of the event. For special event fees received before year end for an event to occur after year end, the Organization treats the inherent contribution as conditional on the event taking place and is therefore treated as deferred revenue along with the exchange component.

Contribution Revenue

The Organization recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities* (Topic 958); *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contribution Revenue - continued

The Organization recognizes contributions received and made, including unconditional promises to give, as revenue in the period received or made. Contributions received are reported as either revenues without donor restrictions or revenues with donor restrictions. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contribution is received are recognized as revenues without donor restrictions. Promises to contribute that stipulate conditions to be met before the contribution is made are not recorded until the conditions are met.

Grants Deemed Contributions

Some support received under grants with federal, state, and local agencies are considered nonreciprocal transactions and follow the guidance for contributions. These grants are recorded as public support in the appropriate fund when the conditions are met, including incurring related costs and/or meeting program requirements. Grants receivable represent amounts due for expenditures incurred or program requirements met prior to year-end. Unearned amounts represent cash received in advance of the conditions being met.

Donated Services and Materials

Gifts of property and equipment are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities).

Donated materials, furniture, fixtures, equipment, and certain services are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. The amount of such donated materials, furniture, fixtures, equipment, and certain services was \$0 and \$10,136 for the years ended December 31, 2020 and 2019.

A substantial number of volunteers have donated significant hours to the Organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising expense for the years ended December 31, 2020 and 2019, was \$5,854 and \$8,403, respectively.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expense Allocations

As reported in the statement of functional expenses, expenses of the Organization have been allocated to the following functional reporting classifications: Program Services, Management and General, and Fundraising.

Expenses directly attributable to a specific functional area are reported as expenses of those functions. The Organization's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting services are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

Tax-Exempt Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization annually files federal and state information returns as required. There is no current year provision for federal or state income taxes. In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions, if any, as required.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition through May 26, 2021, the date the financial statements were available to be issued.

NOTE 2 - PROGRAM SERVICES

The Organization offers the following program services:

Community Release Program

The Organization serves as a court-appointed pretrial services agency for Berks County, furnishing information relating to the defendants' pretrial risk to the court, and providing supervised release for defendants in lieu of incarceration. The Organization also provides personnel and support for the Berks County Treatment Courts.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 2 - PROGRAM SERVICES - CONTINUED

Reentry Program

The Organization provides case management, employment preparation, job search assistance, and assistance obtaining housing to individuals returning to the community from jail or prison. The program also provides appropriate referrals to community-based programs and services and works closely with the county jail, the Department of Corrections, the Pennsylvania Board of Probation and Parole, as well as stakeholders in the Berks County criminal justice system to coordinate delivery of services. In 2018, the Organization started providing mentoring services to individuals in the State Correctional Institutions or on State Parole.

Rebuilding Reentrants and Reading (R3)

In 2017, the Organization was awarded a Reentry Training Grant from the U.S. Department of Labor (DOL) to provide a training program entitled Rebuilding Reentrants and Reading. The program offers an opportunity for individuals with a criminal history to acquire skills in the construction trades. The Organization is partnering with Habitat for Humanity Berks County (HFHBC) and the Reading Muhlenberg Career and Technology Center (RMCTC) to provide the three components of the training; career and technical education at RMCTC, hands on learning on site at HFHBC properties, and an employment focused cognitive curriculum delivered by the Organization's staff. The funding for the training portion of the DOL grant ended in September of 2019; however, BCPS was successful in securing additional funds to continue the program through early 2022 with grants from the Berks County Workforce Development Board and the Pennsylvania Department of Labor and Industry, as well as a contract with the County of Berks.

Community Outreach

The Community Outreach Team (COT) is responsible for the recruitment and oversight of all agency volunteers that support our various programs and reentry initiatives, including our Family Connections events, Holiday Gift Project, Mother's/Father's Voice Program, Returning Citizens Career Fairs, and mock interviewing. They also are responsible for the oversight and production of our agency's social media efforts and related public relations functions.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE

Investments at December 31 are summarized below:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Cash and equivalents	\$ 21	\$ 21	\$ 10,235	\$ 10,235
Mutual funds	351,786	266,673	267,708	251,864
	<u>\$ 351,807</u>	<u>\$ 266,694</u>	<u>\$ 277,943</u>	<u>\$ 262,099</u>

Investment return at December 31 is as follows:

	2020	2019
Without donor restrictions:		
Interest and dividend income	\$ 3,097	\$ 4,185
Realized gain (loss) on investments	(3,719)	2,715
Unrealized gain on investments	85,157	45,672
Fees	(3,170)	(2,841)
	<u>\$ 81,365</u>	<u>\$ 49,731</u>

Generally accepted accounting principles require the use of fair value measurements. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 3 - INVESTMENTS AND FAIR VALUE - CONTINUED

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Long-term investments:

First Allied holds the investments of Berks Connections/Pretrial Services in accordance with the investment policy of the Organization. The policy allows for up to 75% of the reserves to be deposited in the investment account which can be made up of equity securities, corporate bond securities, and government bond securities. The investments are valued at the quoted market price for shares held at year end.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31:

	2020			Total
	Level 1	Level 2	Level 3	
Equity mutual funds	<u>\$ 351,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,786</u>
	2019			Total
	Level 1	Level 2	Level 3	
Equity mutual funds	<u>\$ 267,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 267,708</u>

BERKS CONNECTIONS/PRETRIAL SERVICES**NOTES TO FINANCIAL STATEMENTS****December 31, 2020 and 2019****NOTE 4 - LEASEHOLD IMPROVEMENTS AND EQUIPMENT**

Assets are being depreciated over their remaining useful lives using the straight-line method. A summary of leasehold improvements and equipment is as follows for the years ended December 31:

	<u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>2020</u>
Leasehold improvements	\$ 49,567	\$ -	\$ -	\$ 49,567
Office furniture and equipment	167,883	14,612	(14,024)	168,471
Vehicles	27,913	-	-	27,913
	<u>245,363</u>	<u>14,612</u>	<u>(14,024)</u>	<u>245,951</u>
Less: accumulated depreciation	<u>(117,276)</u>	<u>(32,454)</u>	<u>14,024</u>	<u>(135,706)</u>
	<u>\$ 128,087</u>	<u>\$ (17,842)</u>	<u>\$ -</u>	<u>\$ 110,245</u>
	<u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>2019</u>
Leasehold improvements	\$ 39,742	\$ 9,825	\$ -	\$ 49,567
Office furniture and equipment	158,229	22,162	(12,508)	167,883
Vehicles	27,913	-	-	27,913
	<u>225,884</u>	<u>31,987</u>	<u>(12,508)</u>	<u>245,363</u>
Less: accumulated depreciation	<u>(99,585)</u>	<u>(30,199)</u>	<u>12,508</u>	<u>(117,276)</u>
	<u>\$ 126,299</u>	<u>\$ 1,788</u>	<u>\$ -</u>	<u>\$ 128,087</u>

NOTE 5 - LINE OF CREDIT

In January 2017, the Organization opened a \$125,000 available line of credit with a bank to be drawn upon as needed with interest at 0.25% above the prime rate (3.50% - 2020 and 5.07% - 2019). The line of credit is available until January 2022 and is secured with the assets of the Organization. As of December 31, 2020 and 2019, the balance was \$0 and \$25,500, respectively. Interest expense for the years ended December 31, 2020 and 2019, was \$213 and \$5,460, respectively.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 6 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$308,994. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the SBA.

The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. The Organization will recognize the forgiven portion of the loan upon notification of forgiveness by the SBA.

To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum through the maturity date. The PPP Loan may be accelerated upon the occurrence of an event of default. On June 5, 2020, the Paycheck Protection Flexibility Act (the "Act") was signed into law, which allows the Organization and the lender to amend certain terms of the loan in accordance with the Act. The Act also extended the repayment deferral period which is now defined as (1) when the loan forgiveness is determined by the SBA or (2) ten months after the end of the borrower's covered period if forgiveness is not requested.

Subsequent to year end, the Organization was approved for a Paycheck Protection Program Loan totaling \$58,000 at a 1% fixed interest rate through the United States Small Business Administration, administered by a local bank, as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). No payments are due on this loan for 6 months from the date of the first disbursement of this loan and the loan matures five years from the date of the note. Interest will continue to accrue during the deferment period. The Organization will apply for forgiveness of the loan if certain requirements regarding qualifying expenses are met.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 7 - NOTE PAYABLE

In September 2019, the Organization entered into a note payable with a bank for \$49,500. Monthly payments are \$1,153, including interest at 5.50%. Final payment is due in September 2023. The note is secured with the assets of the Organization. As of December 31, 2020 and 2019, the balance was \$35,201 and \$46,716, respectively.

Maturities on the note payable are as follows for the years ending December 31:

2021	\$ 12,182
2022	12,878
2023	<u>10,141</u>
	<u>\$ 35,201</u>

Interest expense for the years ended December 31, 2020 and 2019 was \$2,320 and \$675, respectively.

NOTE 8 - SUMMARY OF GRANT/CONTRACT FUNDING

The operation of the Organization is dependent upon the fees received from the County of Berks and grants received from federal, state, and local agencies, as well as donations and grants from various organizations and individuals. A significant reduction in the level of this support would have a material effect on the Organization's programs and activities.

The federal and state grants received by the Organization are subject to audit by oversight agencies. As of the date of this report, management is unaware of any material adjustments that will be required as a result of such audits.

BERKS CONNECTIONS/PRETRIAL SERVICES**NOTES TO FINANCIAL STATEMENTS****December 31, 2020 and 2019****NOTE 8 - SUMMARY OF GRANT/CONTRACT FUNDING - CONTINUED**

The Organization received funding through the following grants and contracts for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Fee for service contracts:		
Department of Corrections Workforce Development	\$ 256,962	\$ 717,772
Department of Corrections Reentry Rent	<u>4,530</u>	<u>25,956</u>
Total fee for service contracts	<u>\$ 261,492</u>	<u>\$ 743,728</u>
Grants deemed contributions:		
County of Berks Emergency Solutions Grant	\$ 5,000	\$ 16,000
County of Berks Offender Community Reentry Grant	94,841	117,605
County of Berks R3 Grant	190,762	-
Berks County Workforce Development R3 Grants	244,744	114,990
Service Access Management Grants	48,654	22,574
County of Berks Treatment Court Employment Grant	-	25,000
Department of Human Services	14,544	-
Department of Labor R3 Grant	61,631	478,458
County of Berks District Attorney	37,528	-
Treatment Court Employment Specialist Grant	30,000	-
Court Employment Specialist Grant	7,016	7,024
Pennsylvania Commission on Crime & Delinquency	<u>71,890</u>	<u>145,559</u>
Total grants deemed contributions	<u>\$ 806,610</u>	<u>\$ 927,210</u>

During the years ended December 31, 2020 and 2019, the Organization received \$492,077 and \$622,128, respectively, from the County of Berks for the Berks County Community Release Program. The contract for this program is currently under a three year contract extension (2020-2022) with the County of Berks. Future contract funding due is as follows for the years ending December 31:

2021	\$ 660,023
2022	<u>674,236</u>
	<u>\$ 1,334,259</u>

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 9 - LEASES

The Organization had a lease with the County of Berks to lease the 16th floor of the Courthouse beginning in January 2013 and expiring in December 2019. The monthly rent was \$981 and \$957 for the years ended December 31, 2020 and 2019, respectively. In April 2019, the lease was terminated as the Organization moved its office.

The Organization entered into a lease agreement for additional office space commencing on August 1, 2017, through June 30, 2022. In February 2020, a lease amendment was signed to lease additional office space. The updated monthly rental payments are \$7,459 and will increase annually each September at the lesser of the Consumer Price Index or 2.5%. Utilities are included in the lease cost. The lease has the option to renew for two additional terms of three years each. At December 31, 2020 and 2019, the monthly rental payments were \$7,631 and \$6,016, respectively.

Future minimum payments under operating leases at December 31 are as follows:

2021	\$ 92,336
2022	46,931

Total rent expense for the years ended December 31, 2020 and 2019, was \$89,525 and \$71,469, respectively.

NOTE 10 - RETIREMENT PLAN

The Organization has a 401(k) defined contribution plan (the "Plan") for eligible employees. Employees voluntarily make contributions to the Plan in amounts based upon limits established by Sections 402(g) and 414(v) of the Internal Revenue Code. The Plan provides for an employer match of 50% of elective deferrals, not to exceed 4% of compensation. The employer match was \$17,607 and \$19,228 for the years ended December 31, 2020 and 2019, respectively.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 11 - UNEMPLOYMENT SAVINGS PROGRAM AND RESERVE ACCOUNT

The Organization is a member, along with other organizations, of an Unemployment Savings Program in which the Organization uses the reimbursable method of financing Pennsylvania Unemployment Compensation coverage. The Organization makes quarterly contributions into the Program for estimated benefit charges, reserves, and administrative costs, which are maintained in a custodial account and recorded as an asset on the Organization's books. The Organization's actual unemployment claims are paid from this account, with the provision that any claims in excess of the Organization's deposit and reserve amounts must be repaid over a three-year period maximum. Stop loss insurance covers claims in excess of the attachment point of \$25,000 to \$75,000, without reimbursement required from the Organization. Claims in excess of \$75,000 must be repaid in the same manner paid as claims up to the attachment point. Contributions were \$6,089 and \$442 for December 31, 2020 and 2019, respectively. The balance of the unemployment reserve account at December 31, 2020 and 2019, was \$5,196 and \$12,405, respectively.

NOTE 12 - COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which has caused major disruptions worldwide. The ongoing pandemic poses increased and unexpected business risks. The specific impact of the pandemic and the duration of the disruption is not determinable as of the report date; therefore, the financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management is carefully monitoring the impact of the pandemic and taking steps to mitigate the impact. The Organization continued operations by offering virtual services and resumed limited in-person services as allowed by state regulations.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE 13 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. The Organization's financial assets include cash, receivables, and investments. The Organization does not have restricted funds.

	2020	2019
Cash	\$ 552,284	\$ 268,739
Accounts receivable	5,695	12,197
Grants receivable	126,650	208,140
Investments	351,807	277,943
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 1,036,436</u>	<u>\$ 767,019</u>

The Organization also has a line of credit in the amount of \$125,000 which it could draw upon in the event of unanticipated liquidity needs.

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENT

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2021, with early application permitted. The Organization is evaluating the impact this standard will have on the financial statements.

SUPPLEMENTARY INFORMATION

BERKS CONNECTIONS/PRETRIAL SERVICES

SCHEDULE OF REVENUES AND EXPENSES - PCCD

Year Ended December 31, 2020

	Working Towards Change <u>2017-JG-LS-28458-2*</u>
REVENUES	
Grant income	\$ 71,890
EXPENSES	
Personnel	63,502
Employee benefits	6,857
Travel	1,408
Supplies and operating	<u>123</u>
TOTAL EXPENSES	<u>71,890</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u><u>\$ -</u></u>

* Reference number per grant contract

**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**

**To the Board of Directors
Berks Connections/Pretrial Services
Reading, Pennsylvania**

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 the Berks Connections/Pretrial Services (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

Reading, Pennsylvania
May 26, 2021