



BERKS CONNECTIONS/PRETRIAL SERVICES

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berks Connections/Pretrial Services as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Berks Connections/Pretrial Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Berks Connections/Pretrial Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Berks Connections/Pretrial Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Berks Connections/Pretrial Services' ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
June 16, 2022**

BERKS CONNECTIONS/PRETRIAL SERVICES

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 585,479	\$ 552,284
Accounts receivable	22,056	5,695
Grants receivable	140,391	126,650
Prepaid expenses	<u>12,447</u>	<u>11,885</u>
TOTAL CURRENT ASSETS	760,373	696,514
INVESTMENTS	377,877	351,807
UNEMPLOYMENT RESERVE ACCOUNT	11,978	5,196
LEASEHOLD IMPROVEMENTS AND EQUIPMENT , less accumulated depreciation of \$139,821 in 2021 and \$135,706 in 2020	<u>136,591</u>	<u>110,245</u>
TOTAL ASSETS	<u><u>\$ 1,286,819</u></u>	<u><u>\$ 1,163,762</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,724	\$ 7,114
Accrued payroll and payroll taxes	26,178	28,389
Current portion of note payable	-	12,182
Paycheck Protection Program loan	<u>-</u>	<u>308,994</u>
TOTAL CURRENT LIABILITIES	34,902	356,679
NOTE PAYABLE	<u>-</u>	<u>23,019</u>
TOTAL LIABILITIES	34,902	379,698
NET ASSETS		
Without donor restrictions	<u>1,251,917</u>	<u>784,064</u>
TOTAL NET ASSETS	<u>1,251,917</u>	<u>784,064</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,286,819</u></u>	<u><u>\$ 1,163,762</u></u>

See accompanying notes.

BERKS CONNECTIONS/PRETRIAL SERVICES

STATEMENTS OF ACTIVITIES

	Year Ended December 31	
	2021	2020
WITHOUT DONOR RESTRICTIONS:		
REVENUES AND SUPPORT		
County release program	\$ 660,129	\$ 492,077
Fee for service contracts	154,108	261,492
Program services	10,220	1,000
Government grants deemed contributions	1,063,259	806,610
United Way allocation	161,559	110,455
Contributions	101,771	126,594
Special events, net of expenses		
\$391 - 2021 and \$567 - 2020	13,228	28,782
Investment return	26,070	81,365
Interest income	1,462	2,656
Paycheck Protection Program loan forgiveness	366,994	-
	<hr/>	<hr/>
TOTAL REVENUES AND SUPPORT	2,558,800	1,911,031
EXPENSES		
Program expenses	1,771,547	1,708,886
Supporting services:		
Management and general	190,325	134,642
Fundraising	129,075	76,667
	<hr/>	<hr/>
TOTAL EXPENSES	2,090,947	1,920,195
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INCREASE (DECREASE) IN NET ASSETS	467,853	(9,164)
NET ASSETS AT BEGINNING OF YEAR	784,064	793,228
	<hr/>	<hr/>
NET ASSETS AT END OF YEAR	<u>\$ 1,251,917</u>	<u>\$ 784,064</u>

See accompanying notes.

BERKS CONNECTIONS/PRETRIAL SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	Program Services					Supporting Services		
	Community Release	Reentry	Rebuilding Reentrants and Reading	Community Outreach	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 355,428	\$ 441,034	\$ 274,620	\$ 37,803	\$ 1,108,885	\$ 63,005	\$ 88,206	\$ 1,260,096
Employee benefits	15,087	39,605	29,403	943	85,038	943	8,316	94,297
Payroll taxes	28,622	35,751	22,450	3,064	89,887	5,107	7,151	102,145
Total payroll and related expenses	399,137	516,390	326,473	41,810	1,283,810	69,055	103,673	1,456,538
Insurance	5,239	7,779	5,792	-	18,810	2,640	-	21,450
Parking	5,613	7,108	5,025	804	18,550	-	804	19,354
Local travel	302	1,612	1,342	-	3,256	67	33	3,356
Contractual agreements	-	-	127,347	-	127,347	-	-	127,347
Reentry expenses	-	39,066	6,179	1,192	46,437	-	-	46,437
Housing programs rent expense	-	4,990	-	-	4,990	-	-	4,990
Office supplies	5,467	6,598	4,901	566	17,532	-	1,320	18,852
Rent	17,281	43,659	25,467	-	86,407	4,548	-	90,955
Telephone	5,846	10,288	3,520	252	19,906	-	252	20,158
Equipment lease	4,061	6,091	-	-	10,152	-	-	10,152
Postage	554	1,109	-	-	1,663	-	185	1,848
IT support	20,579	33,586	13,072	-	67,237	8,049	5,800	81,086
Conference fees	1,092	13,005	729	-	14,826	503	149	15,478
Advertising, printing, and marketing	283	661	820	2,866	4,630	3,527	13,887	22,044
Dues and subscriptions	-	-	-	-	-	8,325	-	8,325
Professional fees	-	-	-	-	-	51,309	-	51,309
Other	-	-	-	-	-	38,595	-	38,595
Community outreach	-	-	-	8,640	8,640	-	-	8,640
Interest expense	-	-	-	-	-	1,584	-	1,584
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	465,454	691,942	520,667	56,130	1,734,193	188,202	126,103	2,048,498
Depreciation	12,310	14,857	8,914	1,273	37,354	2,123	2,972	42,449
TOTAL FUNCTIONAL EXPENSES	<u>\$ 477,764</u>	<u>\$ 706,799</u>	<u>\$ 529,581</u>	<u>\$ 57,403</u>	<u>\$ 1,771,547</u>	<u>\$ 190,325</u>	<u>\$ 129,075</u>	<u>\$ 2,090,947</u>

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	9,412	11,359	6,815	973	28,559	1,623	2,272	32,454
TOTAL FUNCTIONAL EXPENSES	<u>\$ 463,483</u>	<u>\$ 700,052</u>	<u>\$ 511,614</u>	<u>\$ 33,737</u>	<u>\$ 1,708,886</u>	<u>\$ 134,642</u>	<u>\$ 76,667</u>	<u>\$ 1,920,195</u>

See accompanying notes.

BERKS CONNECTIONS/PRETRIAL SERVICES

STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 467,853	\$ (9,164)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,449	32,454
Paycheck Protection Program loan forgiveness	(366,994)	-
Unrealized (gain) loss on investments	(25,922)	(85,157)
Change in:		
Accounts receivable	(16,361)	6,502
Grants receivable	(13,741)	81,490
Prepaid expenses	(562)	1,032
Unemployment reserve account	(6,782)	7,209
Accounts payable	1,610	2,167
Accrued payroll and payroll taxes	(2,211)	(21,648)
NET CASH PROVIDED BY OPERATING ACTIVITIES	79,339	14,885
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	-	11,293
Purchases of investments	(148)	-
Purchases of leasehold improvements and equipment	(68,795)	(14,612)
NET CASH USED BY INVESTING ACTIVITIES	(68,943)	(3,319)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on line of credit	-	(25,500)
Proceeds from Paycheck Protection Program loans	58,000	308,994
Repayments of note payable	(35,201)	(11,515)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	22,799	271,979
NET INCREASE IN CASH	33,195	283,545
CASH AT BEGINNING OF YEAR	552,284	268,739
CASH AT END OF YEAR	\$ 585,479	\$ 552,284
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 1,584	\$ 2,533
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Paycheck Protection Program loan forgiveness	\$ 366,994	\$ -

See accompanying notes.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 66% of its total revenues for the year ended December 31, 2021, from the County of Berks, Berks County Workforce Development Board, and U.S. Small Business Administration. As of December 31, 2021, grants receivable included \$36,867 relating to the Berks County Workforce Development Board.

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.

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 statements 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, 2021 and 2020.

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, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments in mutual funds are measured at fair value in the statements of financial position. Investment return, including gains and losses of investments, interest and dividends, and investment fees are included in the statements 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 statements 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 as 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, 2021 and 2020

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 statements 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 statements 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, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contribution Revenue - continued

The Organization recognizes unconditional contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time. When donor restrictions expire, that is when a purpose restriction is fulfilled or a time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. When donor restrictions are met in the same period of receipt, the contributions are recorded as net assets without donor restrictions.

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.

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, 2021 and 2020, was \$22,044 and \$5,854, respectively.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expense Allocations

As reported in the statements 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 June 16, 2022, the date the financial statements were available to be issued.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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.

Reentry Program

The Organization provides case management, employment preparation, job search assistance, and assistance obtaining housing to individuals returning to the community from either the county jail or state 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.

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 partners 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.

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, 2021 and 2020

NOTE 3 - INVESTMENTS AND FAIR VALUE

Investments at December 31 are summarized below:

	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Cash and equivalents	\$ 22	\$ 22	\$ 21	\$ 21
Mutual funds	377,855	301,603	351,786	266,673
	<u>\$ 377,877</u>	<u>\$ 301,625</u>	<u>\$ 351,807</u>	<u>\$ 266,694</u>

Investment return at December 31 is as follows:

	2021	2020
Without donor restrictions:		
Interest and dividend income	\$ 2,602	\$ 3,097
Realized gain (loss) on investments	1,711	(3,719)
Unrealized gain on investments	25,922	85,157
Fees	(4,165)	(3,170)
	<u>\$ 26,070</u>	<u>\$ 81,365</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, 2021 and 2020

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, 2021 and 2020.

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:

	2021			Total
	Level 1	Level 2	Level 3	
Equity mutual funds	<u>\$ 377,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,855</u>
	2020			Total
	Level 1	Level 2	Level 3	
Equity mutual funds	<u>\$ 351,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,786</u>

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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:

	2020	Additions	Deletions	2021
Leasehold improvements	\$ 49,567	\$ 8,538	\$ -	\$ 58,105
Office furniture and equipment	168,471	60,257	(38,334)	190,394
Vehicles	27,913	-	-	27,913
	<u>245,951</u>	<u>68,795</u>	<u>(38,334)</u>	<u>276,412</u>
Less: accumulated depreciation	<u>(135,706)</u>	<u>(42,449)</u>	<u>38,334</u>	<u>(139,821)</u>
	<u>\$ 110,245</u>	<u>\$ 26,346</u>	<u>\$ -</u>	<u>\$ 136,591</u>
	2019	Additions	Deletions	2020
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>

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 2021). The line of credit is available until January 2027 and is secured with the assets of the Organization. As of December 31, 2021 and 2020, the balance was \$0. Interest expense for the years ended December 31, 2021 and 2020, was \$0 and \$213, respectively.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 6 - PAYCHECK PROTECTION PROGRAM LOANS

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.

In April 2021, the Organization received a second Paycheck Protection Program loan (the "PPP loan") from a qualified lender totaling \$58,000. The PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the SBA.

The Organization initially recorded a note payable upon receipt of the PPP loans and subsequently recorded forgiveness when the loan obligations were legally released upon notification by the SBA in May 2021 for the first loan and October 2021 for the second loan. The total \$366,994 forgiven is recognized as loan forgiveness income in the statements of activities for the year ended December 31, 2021.

NOTE 7 - NOTE PAYABLE

In September 2019, the Organization entered into a note payable with a bank for \$49,500. Monthly payments were \$1,153, including interest at 5.50%. The note is secured with the assets of the Organization. The note was paid in full in November 2021. As of December 31, 2021 and 2020, the balance was \$0 and \$35,201, respectively.

Interest expense for the years ended December 31, 2021 and 2020 was \$1,584 and \$2,320, 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, 2021 and 2020****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>2021</u>	<u>2020</u>
Fee for service contracts:		
Department of Corrections Workforce Development	\$ 154,108	\$ 256,962
Department of Corrections Reentry Rent	-	4,530
Total fee for service contracts	<u>\$ 154,108</u>	<u>\$ 261,492</u>
Grants deemed contributions:		
County of Berks Emergency Solutions Grant	\$ 5,000	\$ 5,000
County of Berks Offender Community Reentry Grant	119,635	94,841
County of Berks R3 Grant	249,237	190,762
Berks County Workforce Development R3 Grants	289,071	244,744
Service Access Management Grants	92,351	48,654
Redevelopment Authority CDBG Grant	100,000	-
Department of Human Services	7,577	14,544
Department of Labor R3 Grant	163,368	61,631
County of Berks District Attorney	-	37,528
Treatment Court Employment Specialist Grant	30,000	30,000
Court Employment Specialist Grant	7,020	7,016
Pennsylvania Commission on Crime & Delinquency	-	71,890
Total grants deemed contributions	<u>\$ 1,063,259</u>	<u>\$ 806,610</u>

During the years ended December 31, 2021 and 2020, the Organization received \$660,129 and \$492,077, 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:

2022	\$ 665,311
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BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 9 - LEASES

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, 2021 and 2020, the monthly rental payments were \$7,822 and \$7,631, respectively.

Subsequent to year end in June 2022, a new lease agreement was signed and is effective July 1, 2022 through June 30, 2027. Monthly rental payments are \$10,039 and will increase annually each July 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.

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

2022	\$ 107,165
2023	121,974
2024	125,023
2025	128,149
2026	131,352
2027	66,487

Total rent expense for the years ended December 31, 2021 and 2020, was \$90,955 and \$89,525, 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 \$19,636 and \$17,607 for the years ended December 31, 2021 and 2020, respectively.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 \$14,608 and \$6,089 for December 31, 2021 and 2020, respectively. The balance of the unemployment reserve account at December 31, 2021 and 2020, was \$11,978 and \$5,196, respectively.

NOTE 12 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets as of December 31, 2021 and 2020, 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.

	2021	2020
Cash	\$ 585,479	\$ 552,284
Accounts receivable	22,056	5,695
Grants receivable	140,391	126,650
Investments	377,877	351,807
Total financial assets available to meet cash needs for general expenses within one year	<u>\$ 1,125,803</u>	<u>\$ 1,036,436</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.

BERKS CONNECTIONS/PRETRIAL SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS

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.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update would require an organization to present contributed nonfinancial assets, including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets, as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosures of a disaggregation by category of nonfinancial assets, including whether used or monetized, policies and/or a description of the programs or other activities in which those assets were used, a description of any donor restrictions associated with nonfinancial assets, a description of the valuation techniques and inputs used to arrive at the fair value measure for initial recognition, and the principal market used to arrive at the fair value measure if it is a market in which the Organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This standard should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021, with early adoption permitted.

**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 statements of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 16, 2022.

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

Purpose of this Report

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

Herbein + Company, Inc.

**Reading, Pennsylvania
June 16, 2022**