

***BERKS CONNECTIONS/PRETRIAL SERVICES***

**FINANCIAL AND COMPLIANCE REPORT**

**Years Ended December 31, 2022 and 2021**

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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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter**

As discussed in Note 1 of the financial statements, in 2022, Berks Connections/Pretrial Services adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

#### **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 May 25, 2023, on our consideration of the Berks Connections/Pretrial Services' 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 Berks Connections/Pretrial Services' 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 Berks Connections/Pretrial Services' internal control over financial reporting and compliance.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
May 25, 2023**

**BERKS CONNECTIONS/PRETRIAL SERVICES**

**STATEMENTS OF FINANCIAL POSITION**

December 31

	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 534,652	\$ 585,479
Accounts receivable	1,375	22,056
Grants receivable	172,640	140,391
Prepaid expenses	<u>5,883</u>	<u>12,447</u>
<b>TOTAL CURRENT ASSETS</b>	714,550	760,373
<b>NONCURRENT ASSETS</b>		
Investments	262,372	377,877
Unemployment reserve account	23,546	11,978
Leasehold improvements and equipment, less accumulated depreciation of \$154,046 in 2022 and \$139,821 in 2021	142,322	136,591
Right-of-use assets - operating leases	<u>571,952</u>	<u>-</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,000,192</u>	<u>526,446</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,714,742</u></u>	<u><u>\$ 1,286,819</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 8,988	\$ 8,724
Accrued payroll and payroll taxes	33,987	26,178
Operating lease liabilities	<u>125,602</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	168,577	34,902
<b>NONCURRENT LIABILITIES</b>		
Operating lease liabilities	<u>462,846</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	631,423	34,902
<b>NET ASSETS</b>		
Without donor restrictions	853,851	1,251,917
With donor restrictions - time or purpose	<u>229,468</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>1,083,319</u>	<u>1,251,917</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,714,742</u></u>	<u><u>\$ 1,286,819</u></u>

See accompanying notes.

**BERKS CONNECTIONS/PRETRIAL SERVICES**

**STATEMENTS OF ACTIVITIES**

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>						
County release program	\$ 665,282	\$ -	\$ 665,282	\$ 660,129	\$ -	\$ 660,129
Fee for service contracts	96,262	-	96,262	154,108	-	154,108
Program services	18,299	-	18,299	10,220	-	10,220
Government grants	1,095,850	69,143	1,164,993	1,063,259	-	1,063,259
United Way funding	253,691	160,325	414,016	161,559	-	161,559
Contributions	111,534	-	111,534	98,531	-	98,531
Contributions - in-kind	7,216	-	7,216	3,240	-	3,240
Special events, net of expenses						
\$20,162 - 2022 and \$391 - 2021	5,798	-	5,798	13,228	-	13,228
Investment return	(115,505)	-	(115,505)	26,070	-	26,070
Interest income	2,463	-	2,463	1,462	-	1,462
Paycheck Protection Program loan forgiveness	-	-	-	366,994	-	366,994
<b>TOTAL REVENUES AND SUPPORT</b>	<b>2,140,890</b>	<b>229,468</b>	<b>2,370,358</b>	<b>2,558,800</b>	<b>-</b>	<b>2,558,800</b>
<b>EXPENSES</b>						
Program expenses	2,207,050	-	2,207,050	1,771,547	-	1,771,547
Supporting services:						
Management and general	202,511	-	202,511	190,325	-	190,325
Fundraising	129,395	-	129,395	129,075	-	129,075
<b>TOTAL EXPENSES</b>	<b>2,538,956</b>	<b>-</b>	<b>2,538,956</b>	<b>2,090,947</b>	<b>-</b>	<b>2,090,947</b>
<b>CHANGE IN NET ASSETS</b>	<b>(398,066)</b>	<b>229,468</b>	<b>(168,598)</b>	<b>467,853</b>	<b>-</b>	<b>467,853</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>1,251,917</b>	<b>-</b>	<b>1,251,917</b>	<b>784,064</b>	<b>-</b>	<b>784,064</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 853,851</b>	<b>\$ 229,468</b>	<b>\$ 1,083,319</b>	<b>\$ 1,251,917</b>	<b>\$ -</b>	<b>\$ 1,251,917</b>

See accompanying notes.

**BERKS CONNECTIONS/PRETRIAL SERVICES**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2022**

	Program Services					Supporting Services		
	Pretrial and Diversion	Reentry	Rebuilding Reentrants and Reading (R3)	Community Outreach	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 384,645	\$ 637,420	\$ 305,094	\$ 30,509	\$ 1,357,668	\$ 76,273	\$ 91,528	\$ 1,525,469
Employee benefits	17,944	35,889	22,431	897	77,161	1,794	10,767	89,722
Payroll taxes	29,878	47,356	24,002	2,350	103,586	6,376	7,550	117,512
Total payroll and related expenses	432,467	720,665	351,527	33,756	1,538,415	84,443	109,845	1,732,703
Insurance	4,556	4,556	7,817	402	17,331	2,640	-	19,971
Parking	6,147	10,686	6,146	804	23,783	-	804	24,587
Local travel	692	3,135	415	184	4,426	46	138	4,610
R3 stipend and contract expenses	-	-	186,368	-	186,368	-	-	186,368
Reentry expenses	-	70,173	12,098	18,524	100,795	-	-	100,795
Housing programs rent expense	-	4,063	-	-	4,063	-	-	4,063
Office supplies	6,012	7,014	5,010	600	18,636	-	1,402	20,038
Rent	17,604	54,730	25,872	-	98,206	25,458	-	123,664
Telephone	6,268	11,240	3,674	216	21,398	-	216	21,614
Equipment leases	4,297	10,029	-	-	14,326	-	-	14,326
Postage	614	1,126	-	206	1,946	-	100	2,046
IT support	28,648	50,860	15,099	754	95,361	-	3,775	99,136
Conference fees	3,775	18,781	354	-	22,910	61	131	23,102
Advertising, printing, and marketing	262	1,550	565	3,191	5,568	7,200	9,861	22,629
Dues and subscriptions	-	-	-	-	-	8,125	-	8,125
Professional fees	-	-	-	-	-	36,039	-	36,039
Other	-	-	-	-	-	36,268	-	36,268
Community outreach	-	-	-	14,269	14,269	-	-	14,269
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	511,342	968,608	614,945	72,906	2,167,801	200,280	126,272	2,494,353
Depreciation	12,935	15,610	9,366	1,338	39,249	2,231	3,123	44,603
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 524,277</u>	<u>\$ 984,218</u>	<u>\$ 624,311</u>	<u>\$ 74,244</u>	<u>\$ 2,207,050</u>	<u>\$ 202,511</u>	<u>\$ 129,395</u>	<u>\$ 2,538,956</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 (R3)	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
R3 stipend and contract expenses	-	-	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 leases	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
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	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
<b>TOTAL FUNCTIONAL EXPENSES</b>	<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**

**STATEMENTS OF CASH FLOWS**

	Year Ended December 31	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (168,598)	\$ 467,853
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	44,603	42,449
Paycheck Protection Program loan forgiveness	-	(366,994)
Unrealized loss (gain) on investments	120,956	(25,922)
Noncash lease expense	136,160	-
Change in:		
Accounts receivable	20,681	(16,361)
Grants receivable	(32,249)	(13,741)
Prepaid expenses	6,564	(562)
Unemployment reserve account	(11,568)	(6,782)
Accounts payable	264	1,610
Accrued payroll and payroll taxes	7,809	(2,211)
Operating lease liabilities	(119,664)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	4,958	79,339
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(5,451)	(148)
Purchases of leasehold improvements and equipment	(50,334)	(68,795)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	(55,785)	(68,943)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loans	-	58,000
Repayments of note payable	-	(35,201)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	-	22,799
<b>NET INCREASE (DECREASE) IN CASH</b>	(50,827)	33,195
<b>CASH AT BEGINNING OF YEAR</b>	585,479	552,284
<b>CASH AT END OF YEAR</b>	\$ 534,652	\$ 585,479
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ -	\$ 1,584
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Paycheck Protection Program loan forgiveness	\$ -	\$ 366,994
Right-of-use assets - operating leases in exchange for operating lease liabilities	\$ 699,342	\$ -

See accompanying notes.

## **BERKS CONNECTIONS/PRETRIAL SERVICES**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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##### **Organization and Nature of Activities**

Berks Connections/Pretrial Services (the "Organization") is a nonprofit organization incorporated in April 1975. 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 74% of its total revenues for the year ended December 31, 2022, from the County of Berks, Berks County Workforce Development Board, and United Way of Berks County. As of December 31, 2022, grants receivable included \$10,174 relating to the Berks County Workforce Development Board and \$74,947 relating to the United Way of Berks County.

The Organization received approximately 67% 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.

##### **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 cash deposited in bank accounts or 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, 2022 and 2021.

##### **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, 2022 and 2021**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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##### **Investments**

Investments in marketable securities 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.

##### **Leases**

The Organization leases office space and copiers. The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment. The office space and copiers are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

The Organization elected the practical expedient to not recognize ROU assets and liabilities for operating leases with shorter than 12-month terms. These leases will be expensed on a straight-line basis, and no operating lease liability will be recorded.

## BERKS CONNECTIONS/PRETRIAL SERVICES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### **Leases - continued**

The Organization elected the practical expedient to use the risk-free rate as the discount rate for all leases based on the information available at commencement date in determining the present value of lease payments.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease costs are not included within the measurement of the lease liability as they are entirely variable and the difference between the portion captured within the lease liability and the actual cost will be expensed as incurred.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

##### **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.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

## BERKS CONNECTIONS/PRETRIAL SERVICES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### 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, 2022 and 2021**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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##### **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 be met before the contribution is made are not recorded until the conditions are met.

In addition to contributions and private agency awards, support received under grants from local, state and federal agencies are considered nonreciprocal transactions and follow the guidance for contributions. These grants are recorded as public support when all conditions are met, including incurring related costs or meeting program requirements.

##### **Contributed Nonfinancial Assets**

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. At December 31, 2022 and 2021, in-kind contributions totaled \$7,216 and \$3,240, respectively.

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, 2022 and 2021, was \$22,629 and \$22,044, respectively.

## **BERKS CONNECTIONS/PRETRIAL SERVICES**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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##### **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 May 25, 2023, the date the financial statements were available to be issued.

## BERKS CONNECTIONS/PRETRIAL SERVICES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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##### **Adoption of Accounting Pronouncements**

The Organization adopted FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This accounting standard requires an organization to present contributed nonfinancial assets as a separate line item in the statements of activities as well as disclosures including a disaggregation by category of nonfinancial assets, including a description of the programs or other activities in which those assets were used, a description of any donor restrictions, and a description of the valuation techniques used. The Organization adopted this standard for the year ended December 31, 2022, with a retrospective application as of December 31, 2021.

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance (Accounting Standards Codification ("ASC") 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) using a modified retrospective approach, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for their existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The Organization also elected the practical expedients disclosed in the lease policy footnote on page 9.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 (beginning of the year of adoption) operating lease liabilities of \$699,342, which represents the present value of the remaining operating lease payments of \$726,176, discounted using the risk-free rate, and right-of-use assets of \$699,342.

The standard did have a material impact on the Organization's statements of financial position but did not have a material impact on the Organization's statements of activities or statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.



## **BERKS CONNECTIONS/PRETRIAL SERVICES**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

#### **NOTE 2 - PROGRAM SERVICES**

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The Organization offers the following program services:

##### ***Pretrial and Diversion Programs***

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. The Organization also oversees the Forensic Diversion Program, a diversionary program for non-violent mentally ill defendants.

##### ***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 the Reading Muhlenberg Career and Technology Center (RMCTC), the Berks Career and Technology Center (BCTC), and the GoggleWorks Center for the Arts to provide the three components of the training; career and technical education at RMCTC and BCTC, hands on learning in the woodshop at the GoggleWorks 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, 2022 and 2021

### NOTE 3 - INVESTMENTS AND FAIR VALUE

Investments at December 31 are summarized below:

	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Cash and equivalents	\$ 707	\$ 707	\$ 22	\$ 22
Mutual funds	261,665	306,098	377,855	301,603
	<u>\$ 262,372</u>	<u>\$ 306,805</u>	<u>\$ 377,877</u>	<u>\$ 301,625</u>

Investment return at December 31 is as follows:

	2022	2021
Without donor restrictions:		
Interest and dividend income	\$ 7,347	\$ 2,602
Realized gain on investments	1,669	1,711
Unrealized (loss) gain on investments	(120,956)	25,922
Fees	<u>(3,565)</u>	<u>(4,165)</u>
	<u>\$ (115,505)</u>	<u>\$ 26,070</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, 2022 and 2021**

**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, 2022 and 2021.

*Long-term investments:*

Cetera 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:

	2022			Total
	Level 1	Level 2	Level 3	
Equity mutual funds	<u>\$ 261,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,665</u>
	2021			Total
	Level 1	Level 2	Level 3	
Equity mutual funds	<u>\$ 377,855</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 377,855</u>

## BERKS CONNECTIONS/PRETRIAL SERVICES

### NOTES TO FINANCIAL STATEMENTS

**December 31, 2022 and 2021**

#### **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:

	2021	Additions	Deletions	2022
Leasehold improvements	\$ 58,105	\$ -	\$ -	\$ 58,105
Office furniture and equipment	190,394	50,334	(30,378)	210,350
Vehicles	27,913	-	-	27,913
	<u>276,412</u>	<u>50,334</u>	<u>(30,378)</u>	<u>296,368</u>
Less: accumulated depreciation	<u>(139,821)</u>	<u>(44,603)</u>	<u>30,378</u>	<u>(154,046)</u>
	<u><u>\$ 136,591</u></u>	<u><u>\$ 5,731</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 142,322</u></u>
	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><u>\$ 110,245</u></u>	<u><u>\$ 26,346</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 136,591</u></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 (7.75% - 2022 and 3.50% - 2021). The line of credit is available until January 2027 and is secured with the assets of the Organization. As of December 31, 2022 and 2021, the balance was \$0.

## BERKS CONNECTIONS/PRETRIAL SERVICES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### NOTE 6 - PAYCHECK PROTECTION PROGRAM LOANS

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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 - LEASES

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The Organization leases office space and copiers. The leases have remaining lease terms of 7 to 54 months, some of which may include options to extend the leases, and some of which may include options to terminate the leases.

The Organization included the following amounts related to operating lease assets and liabilities within the statements of financial position as of December 31:

		<u>2022</u>
<b>Assets</b>	<b>Classification</b>	
Right-of-use assets	Operating leases	\$ 571,952
<b>Liabilities</b>		
Current		
Operating lease	Operating lease liabilities	\$ 125,602
Long-term		
Operating lease	Operating lease liabilities	<u>462,846</u>
	Total lease liabilities	<u>\$ 588,448</u>

**BERKS CONNECTIONS/PRETRIAL SERVICES**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

**NOTE 7 - LEASES - CONTINUED**

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The components of lease expense were as follows for the year ended December 31, 2022:

Operating lease expense	\$ 136,160
Variable lease expense	1,830

Supplemental cash flow information related to leases was as follows for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 119,664
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 699,342

Supplemental balance sheet information related to leases was as follows:

<b>Weighted Average Remaining Lease Term</b>	
Operating leases	4.45 years
<b>Weighted Average Discount Rate</b>	
Operating leases	1.37%

Maturities of lease liabilities are as follows for the years ending December 31:

2023	\$ 132,720
2024	133,319
2025	136,445
2026	137,541
2027	66,487
	<hr/>
Total lease payments	606,512
Less: present value discount	(18,064)
	<hr/>
Total	<u>\$ 588,448</u>

## BERKS CONNECTIONS/PRETRIAL SERVICES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### NOTE 7 - LEASES - CONTINUED

The Organization has not restated prior year information for the adoption of ASC 842, the following table presented future minimum lease payments under non-cancellable operating leases under ASC 840 at December 31, 2021:

2022	\$ 107,165
2023	121,974
2024	125,023
2025	128,149
2026	131,352
2027	<u>66,487</u>
	<u>\$ 680,150</u>

#### NOTE 8 - NET ASSETS

The Organization's net assets without donor restrictions are comprised of undesignated funds. From time to time the Board may designate a portion of net assets for specific purposes which would be included with net assets without donor restrictions.

Net assets with donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Time and purpose restrictions:		
Pardon project	\$ 69,143	\$ -
Reentry Works program	<u>160,325</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 229,468</u>	<u>\$ -</u>

## BERKS CONNECTIONS/PRETRIAL SERVICES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### NOTE 9 - 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.

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

	2022	2021
Fee for service contracts:		
Department of Corrections Workforce Development	\$ 96,262	\$ 154,108
Grants deemed contributions:		
County of Berks Emergency Solutions	\$ -	\$ 5,000
County of Berks Offender Community Reentry	122,028	119,635
County of Berks R3	253,495	249,237
Berks County Workforce Development R3 Adult	253,025	173,405
Berks County Workforce Development R3 Young Adult	55,421	115,666
Service Access Management Treatment Court	15,643	14,800
Service Access Management Work in Progress	63,491	77,551
Service Access Management Forensic Diversion	30,322	-
Redevelopment Authority CDBG R3	50,000	100,000
Department of Human Services	-	7,577
Department of Labor R3	166,611	163,368
Pennsylvania Department of Education, Pardon Project	100,000	-
Treatment Court Employment Specialist - District Attorney	30,000	30,000
Court Employment Specialist - COCA	7,018	7,020
Pennsylvania Commission on Crime & Delinquency, Re-entry	17,939	-
Total grants deemed contributions	<u>\$ 1,164,993</u>	<u>\$ 1,063,259</u>

During the years ended December 31, 2022 and 2021, the Organization received \$665,282 and \$660,129, respectively, from the County of Berks for the Berks County Community Release Program. The contract for this program was renewed under a three-year contract extension for 2023 - 2025, with seven one-year renewal options. Contract funding for the year ended December 31, 2023 was approved at \$692,911. The contract funding for subsequent renewal terms will be approved in the annual County budget process.



## **BERKS CONNECTIONS/PRETRIAL SERVICES**

### **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

#### **NOTE 10 - CONTRIBUTED NONFINANCIAL ASSETS**

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The value of contributed office equipment provided by local businesses to benefit the Organization included with revenue in the accompanying financial statements totaled \$7,216 and \$3,240 for the years ended December 31, 2022 and 2021, respectively.

Valuation Techniques:

Contributed services and materials are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. The Organization received contributed office equipment that is reported using current prices for similar equipment.

Donor Restrictions:

There are no restrictions on in-kind donations at year end. The Organization does not sell donated gifts in-kind and only utilized in-kinds for their programs.

#### **NOTE 11 - RETIREMENT PLAN**

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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 \$22,281 and \$19,636 for the years ended December 31, 2022 and 2021, respectively.

#### **NOTE 12 - UNEMPLOYMENT SAVINGS PROGRAM AND RESERVE ACCOUNT**

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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 \$16,532 and \$14,608 for December 31, 2022 and 2021, respectively. The balance of the unemployment reserve account at December 31, 2022 and 2021, was \$23,546 and \$11,978, respectively.

**BERKS CONNECTIONS/PRETRIAL SERVICES**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

**NOTE 13 - AVAILABILITY OF FINANCIAL RESOURCES**

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The following reflects the Organization's financial assets as of December 31, 2022 and 2021, 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 has restricted funds.

	<u>2022</u>	<u>2021</u>
Cash	\$ 534,652	\$ 585,479
Accounts receivable	1,375	22,056
Grants receivable	172,640	140,391
Investments	<u>262,372</u>	<u>377,877</u>
Total financial assets	971,039	1,125,803
Less amounts not available due to:		
Donor time or purpose restrictions	<u>(229,468)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 741,571</u>	<u>\$ 1,125,803</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.

**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, a nonprofit organization, which comprise the statements of financial position as of December 31, 2022, 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 25, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Berks Connections/Pretrial Services' 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 Berks Connections/Pretrial Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Berks Connections/Pretrial Services' internal control.

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

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

## **Report on Compliance and Other Matters**

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

*Herbein + Company, Inc.*

**Reading, Pennsylvania**  
**May 25, 2023**