PREVENTION EDUCATION, INC. T/A PEI KIDS

FINANCIAL STATEMENTS

DECEMBER 31, 2025

(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

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FOR THE YEAR ENDED DECEMBER 31, 2024)

TABLE OF CONTENTS

	Page(s)
Independent Auditor's Report	1 – 3
Financial Statements	
Statements of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 – 20
Supplementary Information	
Schedule of Expenditures of State Financial Assistance	21
Notes to Schedule of Expenditures of State Financial Assistance	22
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	23 – 24

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Prevention Education, Inc. T/A PEI Kids
Lawrenceville, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **PREVENTION EDUCATION, INC. T/A PEI KIDS** (a nonprofit organization)**,** which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year 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 **PREVENTION EDUCATION, INC. T/A PEI KIDS** as of December 31, 2025, and the changes in its net assets and its cash flows for the year 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 **PREVENTION EDUCATION, INC. T/A PEI KIDS** 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 opinion.

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 **PREVENTION EDUCATION, INC. T/A PEI KIDS'** 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 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 **PREVENTION EDUCATION, INC. T/A PEI KIDS'** 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 **PREVENTION EDUCATION, INC. T/A PEI KIDS'** 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.

Report on Summarized Comparative Information

We have previously audited **PREVENTION EDUCATION, INC. T/A PEI KIDS'** 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 4, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2026, on our consideration of **PREVENTION EDUCATION, INC. T/A PEI KIDS'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **PREVENTION EDUCATION, INC. T/A PEI KIDS'** 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 **PREVENTION EDUCATION, INC. T/A PEI KIDS'** internal control over financial reporting and compliance.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
May 27, 2026

PREVENTION EDUCATION, INC. T/A PEI KIDS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	$ 190,813	$ 266,516
Grants and other current receivables	547,654	329,182
Prepaid expenses	13,318	17,653
Beneficial interest in assets held by a community foundation - endowment fund	44,929	38,430
Total current assets	796,714	651,781
PROPERTY AND EQUIPMENT, NET	567,978	608,697
OTHER ASSETS		
Operating lease right-of-use asset	4,497	10,113
Total Assets	$ 1,369,189	$ 1,270,591

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line-of-credit	$ 145,000	$ -0-
Current portion of long-term debt	5,982	11,668
Current portion of operating lease liability	6,253	5,616
Accounts payable and other current liabilities	29,756	18,394
Accrued expenses	59,853	63,047
Deferred revenue	-0-	8,384
Total current liabilities	246,844	107,109
OTHER LIABILITIES		
Long-term debt, net	367,068	246,541
Operating lease liability, net	-0-	4,497
Total other liabilities	367,068	251,038
Total Liabilities	613,912	358,147
NET ASSETS		
Without donor restrictions		
Board designated	148,371	442,101
Undesignated	591,600	427,789
Total without donor restrictions	739,971	869,890
With donor restrictions	15,306	42,554
Total net assets	755,277	912,444
Total Liabilities and Net Assets	$ 1,369,189	$ 1,270,591

The accompanying notes are an integral part of these financial statements.

PREVENTION EDUCATION, INC. T/A PEI KIDS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	2025			2024
	Without Donor Restriction	With Donor Restriction	Total	Total
REVENUE AND SUPPORT				
Special event, net of direct benefit to donors of $19,968	$ 58,821	$ -0-	$ 58,821	$ -0-
State grants	757,827	-0-	757,827	942,461
County grants	25,000	-0-	25,000	-0-
Federal grants	305,349	-0-	305,349	681,642
Program fees	117,650	-0-	117,650	29,963
Contributions	310,244	20,407	330,651	366,845
Rental income (loss), net	1,258	-0-	1,258	-0-
Investment income, net	1,266	-0-	1,266	1,497
Net realized and unrealized gain on investments	6,561	-0-	6,561	3,672
Other revenues	6,670	-0-	6,670	599
Gain of sale of property and equipment	14,600	-0-	14,600	-0-
Net assets released from restrictions	47,655	(47,655)	-0-	-0-
Total revenue and support	1,652,901	(27,248)	1,625,653	2,026,679
EXPENSES				
Program services				
Prevention	185,746	-0-	185,746	189,991
Crisis intervention	304,571	-0-	304,571	253,910
Supervised family visitation	-0-	-0-	-0-	287,263
Transportation plus	199,563	-0-	199,563	117,220
Juvenile intervention	641,426	-0-	641,426	540,350
Victim services	177,609	-0-	177,609	498,591
Total program services	1,508,915	-0-	1,508,915	1,887,325
Support services				
Management and general	223,019	-0-	223,019	136,649
Fundraising	50,886	-0-	50,886	51,835
Total support services	273,905	-0-	273,905	188,484
Total expenses	1,782,820	-0-	1,782,820	2,075,809
Change in net assets	(129,919)	(27,248)	(157,167)	(49,130)
Net assets, beginning of year	869,890	42,554	912,444	961,574
Net assets, end of year	$ 739,971	$ 15,306	$ 755,277	$ 912,444

The accompanying notes are an integral part of these financial statements.

PREVENTION EDUCATION, INC. T/A PEI KIDS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	Program Services						Support Services					
	Prevention	Crisis Intervention	Transportation Plus	Juvenile Intervention	Victim Services	Total Program	Management and General	Fundraising	Direct Benefit to Donors	Total Support	Totals Expenses	2024 Totals
Personnel Expenses:												
Salaries	$ 126,348	$ 218,404	$ 107,646	$ 435,852	$ 109,952	$ 998,202	$ 105,291	$ 38,218	$ -0-	$ 143,509	$ 1,141,711	1,400,543
Payroll taxes	12,028	20,281	10,336	41,367	11,499	95,511	9,458	3,378	-0-	12,836	108,347	134,489
Employee benefits	13,050	11,628	21,371	45,758	13,203	105,010	15,570	2,944	-0-	18,514	123,524	130,953
Total personnel expenses	151,426	250,313	139,353	522,977	134,654	1,198,723	130,319	44,540	-0-	174,859	1,373,582	1,665,985
Other Functional Expenses:												
Direct benefit costs of special events	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	19,968	19,968	19,968	-0-
Program supplies	5,593	4,201	4,507	31,870	17,979	64,150	-0-	-0-	-0-	-0-	64,150	112,692
Vehicle expenses	-0-	1,727	21,842	4,023	2,160	29,752	1,029	-0-	-0-	1,029	30,781	35,691
Facilities	9,168	15,195	7,360	23,649	4,676	60,048	14,828	244	-0-	15,072	75,120	68,998
Professional fees	6,641	10,317	4,425	23,815	9,759	54,957	8,899	905	-0-	9,804	64,761	60,322
Office expense	3,674	6,073	1,109	9,532	2,359	22,747	13,983	1,245	-0-	15,228	37,975	32,833
Insurance and licensing	1,605	2,871	1,124	4,573	1,916	12,089	4,874	1,028	-0-	5,902	17,991	12,438
Telephone	766	2,288	3,108	3,457	901	10,520	1,439	-0-	-0-	1,439	11,959	13,063
Website & Rebranding	95	161	59	379	124	818	31,996	2,505	-0-	34,501	35,319	-0-
Fundraising	-0-	-0-	-0-	-0-	-0-	-0-	-0-	419	-0-	419	419	9,557
Interest expense	1,769	2,963	1,606	4,474	622	11,434	9,352	-0-	-0-	9,352	20,786	13,204
Total other functional expenses	29,311	45,796	45,140	105,772	40,496	266,515	86,400	6,346	19,968	112,714	379,229	358,798
Total expenses before depreciation	180,737	296,109	184,493	628,749	175,150	1,465,238	216,719	50,886	19,968	287,573	1,752,811	2,024,783
Depreciation	5,009	8,462	15,070	12,677	2,459	43,677	6,300	-0-	-0-	6,300	49,977	51,026
Total expenses by function	185,746	304,571	199,563	641,426	177,609	1,508,915	223,019	50,886	19,968	293,873	1,802,788	2,075,809
Less expenses included with revenues on the Statement of Activities	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(19,968)	(19,968)	(19,968)	-0-
Total expenses	$ 185,746	$ 304,571	$ 199,563	$ 641,426	$ 177,609	$ 1,508,915	$ 223,019	$ 50,886	$ -0-	$ 273,905	$ 1,782,820	2,075,809

The accompanying notes are an integral part of these financial statements.

PREVENTION EDUCATION, INC. T/A PEI KIDS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (157,167)	$ (49,130)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	49,977	51,026
Amortization of debt issuance cost	438	528
Net realized and unrealized gain on investments	(6,561)	(3,593)
Noncash investment fees, net of investment income	62	-0-
Gain on sale of assets	(14,600)	-0-
Reduction in carrying amount of operating lease right-of-use asset	5,616	845
Decrease (increase) in operating assets:		
Grants and other current receivables	(218,472)	3,892
Prepaid expenses	4,335	(4,738)
Increase (decrease) in operating liabilities:		
Accounts payable and other current liabilities	11,362	4,035
Accrued expenses	(3,194)	17,931
Deferred revenue	(8,384)	(24,167)
Operating lease liability	(3,860)	(845)
Net cash used in operating activities	(340,448)	(4,216)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	14,600	-0-
Purchases of property and equipment	(9,258)	(1,647)
Net cash provided by (used in) investing activities	5,342	(1,647)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	145,000	-0-
Proceeds from long-term debt	124,875	-0-
Repayments on long-term debt	(10,472)	(11,617)
Net cash provided by (used in) financing activities	259,403	(11,617)
Net decrease in cash and cash equivalents	(75,703)	(17,480)
Cash and cash equivalents, beginning of year	266,516	283,996
Cash and cash equivalents, end of year	$ 190,813	$ 266,516

The accompanying notes are an integral part of these financial statements.

Note 1 – Nature of Activities

Prevention Education, Inc. T/A PEI Kids (the "Organization") ("PEI Kids") is a nonprofit corporation dedicated to promoting and maintaining a safe environment for all children. The Organization works with the child, family, and caregivers to provide prevention, intervention, and advocacy programs regarding personal safety, sexual abuse, and the overall well-being of the child. The Organization's support comes primarily from government grants, contributions, and fundraising events.

The Organizations current programs include:

Prevention

The Organization conducts interactive workshops designed to teach children topics ranging from individual rights, personal safety, and conflict resolution. Adult workshops familiarize staff and parents with program content and follow-up activities.

Crisis Intervention for Child Victims of Sexual Assault

The Organization provides immediate, short-term counseling in Spanish and English for child victims who have made a disclosure, as well as parent, teen, and youth support groups.

Transportation Plus

A program which provides a means for children and their families under the care of New Jersey Department of Children and Families to be transported to appointments that directly affect their care and welfare.

Juvenile Intervention Services

The Organization offers intensive programs intended to help redirect young offenders and youth on the cusp of juvenile justice involvement toward more positive approaches and pursuits.

Victim Services

Using a multidisciplinary team response model, the program delivers victims' services for youth impacted by community violence — specifically, victims, witnesses, or youth who have lost a loved one to violence.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Organization prepares its financial statements on the accrual basis of accounting, and accordingly, reflects all significant receivables, payables, and other liabilities. Consequently, revenue is recognized as described below in the section entitled Revenue and Revenue Recognition and expenses are recognized when the obligations are incurred.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic 958-205, Financial Statements of Not-for-Profit Organizations. Under FASB ASC Subtopic 958-205, to ensure the observance of limitations and restrictions placed on the use of resources available to the Company, its net assets and revenues have been reported according to the following classifications:

Net Assets with Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of PEI Kids or by the passage of time. See Note 11 to the financial statements.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of PEI Kids. These net assets may be used at the discretion of the Organization's management and the Board of Trustees. See Note 12 to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although management believes the estimates that have been used are reasonable, actual results could vary from the estimates that were used.

Note 2 – Summary of Significant Accounting Policies (continued)

Prior Year Summarized Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or by expense function. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Company's financial statements for the year ended December 31, 2024, from which the summarized information was derived.

Revenue and Revenue Recognition

Contributions and Grants

Contributions are recognized when cash, donated investments or other assets, unconditional promises to give, or other various notifications of a beneficial interest is received. Conditional contributions, including those received as conditional promises to give, that is, those with a measurable performance or other barrier, and right of return or release of assets, are not recognized until the conditions on which they depend have been substantially met.

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

PEI Kids also derives revenue from cost-reimbursable federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when PEI Kids has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the Statement of Financial Position. The change in deferred revenue for the year ended December 31, 2025 was as follows:

Deferred revenue as of January 1, 2025	$ 8,384
Current year decrease, net	(8,384)
Deferred revenue as of December 31, 2025	$ -0-

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

Program Fee Income

PEI Kids recognizes program fee income as either a contribution or an exchange transaction. Program fees are considered exchange transactions as services are received with substantive benefits. Services provided are earned under agreements with various municipal and county governments and other social service organizations. While the value placed on these is difficult to ascertain, benefits are certainly not negligible. The performance obligations connected with the services are recognized as an over-time benefit exchange for based on the service rates stipulated in each agreement.

Special Event Revenue

Revenue from special events is recognized at the time that event occurs. The amount of revenue in the Statement of Activities is shown net of the cost of direct benefits to donors.

Contributed Services, Materials, and Facilities

Contributed services, materials, and facilities are recognized as contributions if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. There were no contributed services, materials, or facilities that required recognition for the year ended December 31, 2025

Contributions and Contract Receivables

Contributions and contract receivables are stated at the amount management expects to collect from outstanding balances and are presented net of an allowance for credit losses. The allowance for credit losses reduces the contributions and contracts receivable balance to the estimated net realizable value which is the amount that is expected to be collected. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge against the allowance for credit losses.

Grants Receivable

Grants receivable consist of both conditional and unconditional grants. Grants receivable are stated at the amount management expects to collect from outstanding balances and are presented net of an allowance for credit losses. The allowance for credit losses reduces the grants receivable balance to the estimated net realizable value which is the amount that is expected to be collected. If amounts were to become uncollectible, an allowance would be established and amounts would be charged against the allowance when that determination is made.

Note 2 – Summary of Significant Accounting Policies (continued)

Grants Receivable (continued)

However, the Organization expects all amounts to be fully collectible within one year. Grants receivable as of December 31, 2025 and 2024 were $519,660 and $325,843, respectively, and are included in Grants and other current receivables on the Statement of Financial Position.

Pooled Investments

Investments are board-designated funds invested with the Princeton Area Community Foundation ("PACF") and are stated at fair value in the Statement of Financial Position. All unrealized gains and losses are included in the change in net assets in the Statement of Activities. Investment income, including realized and unrealized gains or losses, is reported as an increase or decrease in net assets without donor restrictions in the reporting period in which the income or loss is recognized and is used to support operations.

Fair Value Measurement

Valuation techniques used to measure fair values are prioritized into the following hierarchy:

Level 1 – Determined using quoted market price in active markets for identical assets and liabilities.

Level 2 – Determined using quoted market prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market for substantially the full term of the assets or liabilities.

Level 3 – The fair value of the beneficial interest in assets held by a community foundation is based on the fair value of fund investments as reported by the community foundation.

The Organizations investments are all level 3 as shown in Note 7 to the Financial Statements.

Note 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost if purchased or at fair value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of assets for financial reporting purposes are as follows: building and improvements, 5 to 39 years; furniture and equipment, 2 to 10 years; and vehicles, 5 years. PEI Kids capitalizes costs that are greater than $1,000, with expenditures less than are charged to operating expenses in the period incurred. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

The Organization reviews the carrying value of its property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. Based on these reviews, there were no adjustments to the carrying value of property and equipment for the year ended December 31, 2025.

Income Taxes

PEI Kids is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). PEI Kids follows the accounting guidance for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. PEI Kids believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's Federal Exempt Organization Income Tax Returns (Form 990) for 2023, 2024, and 2025 are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they were filed.

Note 2 – Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain expenses have been allocated among program services and supporting services benefited. Payroll and related expenses are allocated on the basis of time and effort. Certain categories of expenses may be attributable to more than one program or supporting function, but are charged directly to that function as their usage is directly identifiable. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of PEI Kids.

Statement of Cash Flows

For the purpose of the Statement of Cash Flows, cash equivalents include certificates of deposit and all highly liquid debt instruments with an original maturity of three months or less.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the straight-line method. When a loan is paid in full, any unamortized debt issuance costs are removed from the related accounts and charged to operations and included within interest expense. Amortization of debt issuance costs totaled $438 for the year ended December 31, 2025. Accumulated amortization as of December 31, 2025 was $5,190.

Recent Accounting Pronouncements

PEI Kids has evaluated all recent accounting pronouncements that were required to be adopted or are required to be adopted in the near future and believes that none of them will have a material effect on PEI Kids's Statements of Financial Position, Activities, Functional Expenses or Cash Flows.

Note 3 – Concentration of Credit Risk

PEI Kids maintains its cash balances in several financial institutions. The balances at these financial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per depositor. At various times during the year, the Organization's bank balances may have been in excess of the federally insured deposit limits. At December 31, 2025, the Organization had uninsured cash balances of $98.

Note 4 – Availability and Liquidity

The following represents PEI Kids' financial assets which are available to meet general expenditures at December 31, 2025:

Financial assets at year-end:	
Cash and cash equivalents	$ 190,813
Grants and other current receivables	547,654
Beneficial interest in assets held	44,929
Total financial assets	783,396
Less amounts not available to be used within one year	
Quasi endowment established by board	(98,443)
Financial assets available to meet general expenditures within one year	$ 684,953

PEI Kids regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. PEI Kids typically maintains its financial assets in cash accounts with a goal of having funds available when needed. The Organization's board established a board-designated endowment with the goal of long-term growth so that income from the endowment will provide another source of operating funds.

In addition to financial assets available to meet general expenditures over the next 12 months, PEI Kids operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

Note 5 – Property and Equipment

Property and equipment consists of the following as of December 31, 2025:

Building and improvements	$ 947,021
Furniture and equipment	67,718
Vehicles	98,327
Land	172,675
	1,285,741
Less: accumulated depreciation	(717,763)
	$ 567,978

Depreciation expense for the year ended December 31, 2025 was $49,977.

Note 6 – Beneficial Interest in Assets Held by a Community Foundation- Endowment Fund

Investments are held in pooled funds invested with PACF. As a participant in the pooled funds, the Organization's ownership interest is based on the allocation of the fair value of the Organization's units to the total fair value of the investment pool. The investment pool is managed using a long-term diversified strategy and is invested on a total return basis. Total return describes the change in fund value over time resulting from interest, dividends and capital appreciation as a result of both realized and unrealized gains. The pool is revalued monthly and income and gains or losses are allocated to the participants based on their units. All investments are measured at fair value in the Statement of Financial Position. The change in fair value of pooled funds invested with PACF from earnings is included in net realized and unrealized gain or loss on investments as net assets without donor restrictions unless the income or loss is restricted by donor or law. The fair value of the Organization's pooled investments held by PACF was $44,929 at December 31, 2025.

Net investment return related to the pooled investments held by PACF was comprised of the following:

Unrealized gain on investment	$ 3,393
Realized gain on investment	3,168
Net realized and unrealized gain on investments	$ 6,561

Note 7 – Fair Value Measurements

At December 31, 2025 assets measured at fair value on a recurring basis are as follows:

	Level 1	Level 2	Level 3	Fair Value Total
Pooled investments held by PACF	$ -0-	$ -0-	$ 44,929	$ 44,929

The investments held by PACF consist of publicly-traded corporate bond funds, domestic and international equity funds, privately-held companies and closely-held limited partnerships, and investment companies. The fair value of the Organization's interest in the investments held by PACF is based on a percentage interest in PACF's fair value as represented by PACF's management.

Note 8 – Long-Term Debt

Long-term debt consist of the following as of December 31, 2025:

Mortgage payable to bank; payable in monthly installments of $2,610, including interest at 6.75%; due September 29, 2035, collateralized by the real property at 231 Lawrence Road	$ 373,050
Total long-term debt	373,050
Less: current portion	(5,982)
Total long-term debt, net	$ 367,068

The Organization's mortgage payable to the bank, which previously had a contractual maturity date of October 2025, was refinanced on September 29, 2025. The prior mortgage was paid off on September 29, 2025, with a total payoff of principal, interest, and fees of $253,890. Under the new mortgage agreement, the Organization borrowed $374,500, of which $253,890 was applied to settle the prior mortgage and $120,610 was received in cash. The new mortgage bears the same collateral as the prior mortgage, matures on September 26, 2035, and requires monthly payments which began October 29, 2025. Accordingly, the Organization has classified the portion of the new mortgage principal due within one year from the balance sheet date as a current liability, with the remaining balance presented as long-term.

Principal maturities of long-term debt as of December 31, 2025 are as follows:

Year ending December 31,	
2027	$ 6,405
2028	6,786
2029	7,336
2030	10,084
Thereafter	336,457
Total	$ 367,068

Note 9 – Line of Credit

The Organization has a revolving line of credit with a financial institution in the amount of $325,000. Bank advances are due on demand and accrue interest at 1% above the prime rate (7.75% at December 31, 2025). The line is secured by a blanket lien of all assets of the Organization. There was $145,000 outstanding on the line as of December 31, 2025.

Note 10 – Retirement Plan

PEI Kids has a 401(k) plan (the "Plan") which covers all employees who meet the Plan's eligibility requirements. PEI Kids makes a contribution of 2% of salary of eligible employees. Participating employees may elect to contribute up to 20% of their base salaries, subject to federally designated limits. The Organization matches the first 2% contributed by the participating employees. Total contributions to the Plan for the year ended December 31, 2025 were $26,334, and are included in employee benefits in the Statement of Functional Expenses.

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows as of December 31, 2025:

Purpose restrictions:	
Specific purpose - crisis	$ 15,306
Total with donor restrictions	$ 15,306

Note 12 – Net Assets without Donor Restrictions

Net assets without donor restrictions were as follows as of December 31, 2025:

Board Designated	
Board designated for endowment fund	$ 44,929
Board designated for property and equipment fund	49,928
Board designated for Evelyn A. Gill fund for the future	53,514
Total Board Designated	148,371
Undesignated	591,600
	$ 739,971

Note 13 – Leases

The Company leases a vehicle, expiring in 2026, which is primarily classified and accounted for as an operating lease. The lease contains a specific renewal option but PEI Kids is not reasonably certain to exercise. In addition, the lease does not contain termination options, where the rights to terminate are held by either the lessee, the lessor, or both parties. Generally, options to renew or terminate a lease are included in the lease term when it is reasonably certain that the Company will exercise the option.

Note 13 – Leases (Continued)

The Organization has made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less, and with no purchase option that the Organization is reasonably certain to exercise. ROU assets and lease liabilities are recognized based on the present value of the fixed and in-substance lease payments over the lease term at the commencement date. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by lease incentives. The Organization elected to use the risk-free interest rate (U.S. daily treasury par yield curve) for a period approximating the lease term for all real estate leases as the leases do not have readily determinable implicit discount rates and the relevant incremental borrowing rate could not be determined.

Operating lease cost is recognized on the straight-line method over the lease term. The depreciable life of ROU assets are typically limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. Generally, lease agreements do not contain any significant residual value guarantees or material restrictive covenants.

Operating lease expense for the year ended December 31, 2025 was $5,193. During the year ended December 31, 2025, actual cash payments for operating lease totaled $4,126. These payments are included in operating cash flows on Statement of Cash flows.

At December 31, 2025, the weighted-average remaining lease term for operating lease was 10 months and the weighted-average discount rate used for operating leases was 4.21%. At December 31, 2025, the balances of the right-of-use asset and operating lease liability were $4,497 and $6,253 (all of which was classified as current), respectively.

Future undiscounted cash flows for the next year and reconciliation to the operating lease liabilities at December 31, 2025 are as follows:

	Total
Year ending December 31, 2026	$ 6,419
Less imputed interest	(166)
Total present value of operating lease liability	$ 6,253

Note 14 – Supplementary Disclosure of Cash Flow Information

Cash paid during the year ended December 31, 2025 for:

Interest	$ 20,995

Note 15 – Subsequent Events

PEI Kids evaluated subsequent events through May 27, 2026, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosures in these financial statements.

PREVENTION EDUCATION, INC. T/A PEI KIDS
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2025

State Grantor Department and Program Title	State Account Number	Award Amount	Program Grant Period	Total Received for the Year	Accrued (Deferred) Revenue at January 1, 2025	Revenue Recognized	Fiscal Year Disbursements	Accrued (Deferred) Revenue at December 31, 2025
New Jersey Department of Children & Families								
Division of Child Protection and Permanency Family Support Services	100-016-1610-023	$ 100,613	7/1/24-6/30/25	$ 39,084	$ (7,228)	$ 46,312	$ 46,312	$ -0-
Division of Child Protection and Permanency Family Support Services	100-016-1610-023	178,613	7/1/25-6/30/26	11,651	-0-	100,958	100,958	89,307
Total Department of Children & Families				50,735	(7,228)	147,270	147,270	89,307
New Jersey Department of Law and Public Safety								
Juvenile Justice Commission Managing Aggression & Violence - Anger Management Program, Passed through County of Mercer, Department of Human Services	2023-942	160,000	1/1/24-12/31/25	61,372	23,095	80,000	80,000	41,723
Crisis Intervention for Child Victims of Sexual Abuse Passed through County of Mercer, Department of Human Services	2023-941	130,000	1/1/24-12/31/25	49,262	16,281	65,000	65,000	32,019
Community Based Violence Initiative	100-066-1000-223	481,794	1/1/24-12/31/24	108,181	108,181	-0-	-0-	-0-
Community Based Violence Initiative	100-066-1000-223	499,146	1/1/25-12/31/25	208,481	-0-	465,557	465,557	257,076
Total Department of Law and Public Safety				427,296	147,557	610,557	610,557	330,818
Total Expenditures of State Financial Assistance				$ 478,031	$ 140,329	$ 757,827	$ 757,827	$ 420,125

See auditor's report and notes to Schedule of Expenditures of State Financial Assistance.

PREVENTION EDUCATION, INC. T/A PEI KIDS
NOTES TO SCHEDULE OF EXPENDITURES
OF STATE FINANCIAL ASSISTANCE
DECEMBER 31, 2025

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") includes the state grant activity of the Organization under programs of the state government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of the State of New Jersey Circular Letter 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Because the Schedule presents only a selected portion of the operations of **PREVENTION EDUCATION, INC. T/A PEI KIDS**, it is not intended to and does not present the financial position, change in net assets, or cash flows of **PREVENTION EDUCATION, INC. T/A PEI KIDS**. The financial activity of the aforementioned awards is reported in the Organization's Statement of Activities.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the State of New Jersey Department of Children and Families Contract Reimbursement Manual, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3. Reconciliation of Accrued (Deferred) Revenue Amounts per the Schedule of Federal Awards to the Statement of Net Position

	At December 31, 2025
Grants and other current receivables	$ 547,654
Less: Employee advances	(161)
Less: Program receivables	(27,833)
Less: Federal and local grants receivable	(99,535)
Net accrued revenue	$ 420,125

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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 Trustees of
Prevention Education, Inc. T/A PEI Kids
Lawrenceville, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **PREVENTION EDUCATION, INC. T/A PEI KIDS** (a nonprofit organization), which comprise the Statement of financial position as of December 31, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 27, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **PREVENTION EDUCATION, INC. T/A PEI KIDS'** 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **PREVENTION EDUCATION, INC. T/A PEI KIDS**' 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **PREVENTION EDUCATION, INC. T/A PEI KIDS**' 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.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
May 27, 2026