

PARENT ENCOURAGEMENT PROGRAM, INC.

FINANCIAL STATEMENTS

June 30, 2024

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Parent Encouragement Program, Inc.
Kensington, Maryland

We have reviewed the accompanying financial statements of Parent Encouragement Program, Inc., which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Parent Encouragement Program, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Wegner CPAs, LLP
Alexandria, Virginia
April 10, 2025

PARENT ENCOURAGEMENT PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2024

ASSETS

CURRENT ASSETS

Cash	\$ 754,421
Accounts receivable	93,008
Prepaid expenses	<u>11,848</u>
Total current assets	859,277

EQUIPMENT

Equipment	23,282
Accumulated depreciation	<u>(6,613)</u>
Equipment, net	16,669

OTHER ASSETS

Cash restricted for endowment	<u>52,262</u>
Total assets	<u><u>\$ 928,208</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 93,569
Deferred revenue	<u>290,834</u>
Total current liabilities	384,403

NET ASSETS

Without donor restrictions	459,843
With donor restrictions	<u>83,962</u>
Total net assets	<u>543,805</u>

Total liabilities and net assets	<u><u>\$ 928,208</u></u>
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See accompanying notes and independent accountant's review report.

PARENT ENCOURAGEMENT PROGRAM, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and contributions	\$ 529,286	\$ -	\$ 529,286
Government contracts	336,787	-	336,787
Fee for service programs	263,004	-	263,004
Interest income	1,501	-	1,501
Total support and revenue	1,130,578	-	1,130,578
EXPENSES			
Program Services			
Workplace Program	77,024	-	77,024
Organizational Programs	68,038	-	68,038
Family Resiliency Program	521,240	-	521,240
Public Program/Online	60,308	-	60,308
Other Programs	213,355	-	213,355
Supporting Activities			
Management and General	197,579	-	197,579
Fundraising	173,390	-	173,390
Total expenses	1,310,934	-	1,310,934
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	100,000	(100,000)	-
Change in net assets	(80,356)	(100,000)	(180,356)
Net assets at beginning of year	540,199	183,962	724,161
Net assets at end of year	<u>\$ 459,843</u>	<u>\$ 83,962</u>	<u>\$ 543,805</u>

See accompanying notes and independent accountant's review report.

PARENT ENCOURAGEMENT PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2024

	Program Services					Supporting Activities		
	Workplace Program	Organizational Programs	Family Resiliency Program	Public Program/Online	Other Programs	Management and General	Fundraising	Total Expenses
Personnel	\$ 76,348	\$ 65,647	\$ 410,730	\$ 48,202	\$ 115,220	\$ 51,080	\$ 159,592	\$ 926,819
Travel	-	-	-	-	-	4,156	-	4,156
Marketing and outreach	-	-	-	-	-	9,408	347	9,755
Professional fees	-	-	2,258	-	2,593	82,242	-	87,093
Contract labor	-	1,865	92,001	1,100	94,452	-	3,988	193,406
Dues and subscriptions	675	-	8,426	10,756	-	13,055	-	32,912
Occupancy	-	-	-	-	-	18,290	-	18,290
Office	1	526	7,825	250	1,090	1,874	9,463	21,029
Insurance	-	-	-	-	-	12,818	-	12,818
Depreciation	-	-	-	-	-	4,656	-	4,656
Total expenses	\$ 77,024	\$ 68,038	\$ 521,240	\$ 60,308	\$ 213,355	\$ 197,579	\$ 173,390	\$ 1,310,934

PARENT ENCOURAGEMENT PROGRAM, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (180,356)
Adjustments to reconcile change in net assets to to net change in cash	
Depreciation expense	4,656
(Increase) decrease in assets	
Accounts receivable	1,494
Unconditional promises to give	5,000
Prepaid expenses	(2,984)
Increase in liabilities	
Accounts payable and accrued expenses	28,686
Deferred revenue	290,834

Net change in cash 147,330

Cash and restricted cash at the beginning of year 659,353

Cash and restricted cash at end of year \$ 806,683

SUPPLEMENTAL DISCLOSURE

Cash and restricted cash at the end of the year is comprised of the following:

Cash	\$ 754,421
Cash restricted for endowment	52,262

Total cash and restricted cash \$ 806,683

PARENT ENCOURAGEMENT PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Parent Encouragement Program, Inc. (“PEP”) is a nonprofit organization organized to develop and deliver parenting education and support – through classes, support groups, workshops, and other instructions resources – to help caregivers raise their children to become resilient, confident and capable and to build families that are healthier, more harmonious and better equipped to function productively in a democratic society. PEP is supported primarily by grants, contributions, and contracts.

Accounts Receivable

Accounts receivable consist primarily of amounts owed from customers from fee for service arrangements that PEP has provided. Accounts receivable are presented at the gross amount due to PEP. PEP uses historical loss information based on the aging of accounts receivable as the basis to determine expected credit losses. Management believes the composition of accounts receivable is consistent with historical conditions and accounts receivable are expected to be settled within a relatively short time frame based on current conditions. As such, credit losses are expected to be insignificant.

Equipment

Acquisitions of equipment of \$1,500 or more are capitalized. Purchases of equipment are recorded at cost. Donations of equipment are recorded as support at their estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence of any donor restrictions. 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.

Revenue Recognition

PEP’s revenue from fees for services primarily consists of revenue from contracts to carry out its programming, as well as fees earned in connection with its educational and online programs.

Revenue from contracts, educational programming, and online programs are recognized when the performance obligations under the contract are complete and when the events related to the educational and online programming occurs.

PARENT ENCOURAGEMENT PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PEP's accounts receivable and contract liabilities from contracts with customers are as follows:

Accounts receivable at beginning of year	\$	94,502
Accounts receivable at end of year		93,008
Deferred revenue at beginning of year	\$	-
Deferred revenue at end of year		290,834

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, which is allocated based on estimates of time and effort.

Leases

PEP does not recognize short-term leases in the statement of financial position. For these leases, PEP recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. PEP also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, PEP uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

Income Tax Status

PEP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through April 10, 2025, the date which the financial statements were available to be issued.

PARENT ENCOURAGEMENT PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 2—CONCENTRATION OF CREDIT RISK

PEP maintains its cash balances at a financial institution located in Maryland. The Federal Deposit Insurance Corporation insures the account at this institution up to \$250,000. At June 30, 2024, PEP's uninsured cash balances total approximately \$550,000.

NOTE 3—NET ASSETS

Net assets with donor restrictions consist of the following:

Subject to expenditure for specified purpose	
Cancellier Charitable Fund	\$ 1,075
DiCarlo FRP Video	30,625
Subject to PEP's spending policy and appropriation:	
Endowment fund	<u>52,262</u>
Net assets with donor restrictions	<u>\$ 83,962</u>

NOTE 4—PAYCHECK PROTECTION PROGRAM LOANS

PEP received loans totaling \$114,283 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loans accrue interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by PEP during the covered period. Eligible expenses may include payroll costs, rent, and utilities. Any unforgiven portion is payable over five years. During the years ended June 30, 2022 and 2021, the SBA preliminarily approved forgiveness of PEP's PPP loans. PEP must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review PEP's good-faith certification concerning the necessity of its loan request, whether PEP calculated the loan amount correctly, whether PEP used loan proceeds for the allowable uses specified in the CARES Act, and whether PEP is entitled to loan forgiveness in the amount claimed on its application. If SBA determines PEP was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 5—RETIREMENT PLAN

In January 2001, PEP established a 403(b) tax deferred annuity to allow employees to defer income for retirement. All employees are eligible to participate. No matching contributions are provided by PEP.

PARENT ENCOURAGEMENT PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 6—LIQUIDITY AND AVAILABILITY

The following table reflects PEP's financial assets as of the date of the statement of financial position reduced by amounts not available for general expenditures within one year of the date of the statement of financial position because of donor-imposed restrictions.

Financial assets at year-end	
Cash	\$ 806,683
Accounts receivable	93,008
Total financial assets	899,691
Less those unavailable for general expenditures within one year due to:	
Restricted by donors with purpose restrictions	(31,700)
Subject to PEP's endowment spending policy	(52,262)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 815,729</u>

As part of PEP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 7—LEASE

PEP has a lease for office space that is on a month-to-month basis. For the year ended June 30, 2024, lease cost totaled \$15,780.

NOTE 8—ENDOWMENT

PEP's endowments are donor-restricted funds established to support general operations and award scholarships. The board of directors of PEP has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, PEP considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

PEP has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In accordance with UPMIFA, PEP considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of PEP, and (7) PEP's investment policies.

PARENT ENCOURAGEMENT PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE 8—ENDOWMENT (continued)

Investment Return Objectives, Risk Parameters, and Strategies: PEP has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Contributions were received that were restricted by the donors to be invested in-perpetuity. Interest earned on the invested balance is to be used to support scholarships for parents to attend PEP's classes and programs, as well as general operations. Endowment assets include those assets of donor restricted funds that PEP must hold in-perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are to be invested in a certificate of deposit, though are currently included with cash. To satisfy its long-term rate-of-return objectives, PEP relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends). PEP plans to invest in a certificate of deposit to achieve its long-term return objectives within prudent risk constraints.

Spending Policy: The Board of Directors authorizes appropriations of spending during the Board approval of the budget. The Board considers the long-term expected return on its endowment. Accordingly, over the long-term, the Board expects to use earnings above any principal to support programs in the current period whenever possible. This is consistent with PEP's objective to maintain the purchasing power of the endowment assets held in-perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Underwater Endowment Funds: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires PEP to retain as a fund of perpetual duration. At June 30, 2024, there are no donor-restricted endowment funds with deficiencies.

Endowment net assets as of June 30, 2024 are comprised of \$52,262 of donor-restricted gifts. There are no accumulated investment earnings on the endowment net assets as the funds have yet to be invested. There were no change in endowment net assets for the year ended June 30, 2024.