PRINCETON OUTREACH PROJECTS, INC.

FINANCIAL STATEMENTS - MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2011 AND 2010

PRINCETON OUTREACH PROJECTS, INC.

YEARS ENDED DECEMBER 31, 2011 AND 2010

I N D E X

Klatzkin &
Company LLP

certified public accountants and advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Princeton Outreach Projects, Inc.
Princeton, New Jersey

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of PRINCETON OUTREACH PROJECTS, INC. (a nonprofit organization) as of December 31, 2011 and 2010, and the related statements of support, revenues, and expenses - modified cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Princeton Outreach Projects, Inc. as of December 31, 2011 and 2010, and its support, revenue, and expenses for the years then ended, on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2012 on our consideration of Princeton Outreach Projects, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of assets, liabilities, and net assets by program - modified cash basis are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Klatzkin & Company

KLATZKIN & COMPANY LLP

Hamilton, New Jersey
September 21, 2012

PRINCETON OUTREACH PROJECTS, INC.

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS

	December 31, 2011	December 31, 2010
ASSETS		
Cash	$ 874,603	$ 1,100,416
Investments	1,371,029	1,333,703
Beneficial Interest in Assets Held by a Foundation	247,695	-
Security Deposits	3,500	3,500
Property and Equipment - Net of $113,550 and $150,735 Accumulated Depreciation	145,369	118,115
Credits for Food Purchases	2,047	1,940
TOTAL ASSETS	$ 2,644,243	$ 2,557,674
LIABILITIES AND NET ASSETS		
Liabilities	$ -	$ -
Net Assets	2,644,243	2,557,674
TOTAL LIABILITIES AND NET ASSETS	$ 2,644,243	$ 2,557,674

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

PRINCETON OUTREACH PROJECTS, INC.

STATEMENTS OF SUPPORT, REVENUES, AND EXPENSES - MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	Crisis Ministry	Trenton After School Program	Trenton Children's Chorus	Housing Initiative Program	Joint Administration	2011 Total	2010 Total
Support and Revenues:							
Donations	$ 1,211,309	$ 66,627	$ 43,231	$ -	$ 2,000	$ 1,323,167	$ 1,322,333
Special Event Revenue	56,851	-	-	-	-	56,851	129,807
Grants	566,422	5,000	89,960	-	-	661,382	798,509
Tuition	-	2,927	2,911	-	-	5,838	46,218
Interest and Dividend Income	29,055	-	196	-	-	29,251	35,016
Realized Gain (Loss) on Investments	12,595	-	-	-	-	12,595	-
Realized Gain (Loss) on Sale of Equipment	(1,860)	-	-	-	-	(1,860)	-
Unrealized Gain (Loss) on Investments	(5,210)	-	-	-	-	(5,210)	13,672
Other Income	-	2,358	1,748	-	854	4,960	4,180
Total Support and Revenues	1,869,162	76,912	138,046	-	2,854	2,086,974	2,349,735
Expenses:							
Personnel:							
Payroll	424,849	-	56,136	-	-	480,985	656,526
Payroll Taxes	31,851	-	4,351	-	-	36,202	44,223
Payroll Service Fee	3,352	190	1,174	-	-	4,716	5,659
Employee Benefits	61,126	15,185	5,003	-	-	81,314	133,146
Temporary Staff	-	-	375	-	-	375	150
Total Personnel Expenses	521,178	15,375	67,039	-	-	603,592	839,704
Direct Assistance:							
Food	80,909	-	-	-	-	80,909	72,910
Rent	337,621	-	-	-	-	337,621	258,733
Mortgage	30,112	-	-	-	-	30,112	33,852
Security Deposits	102,470	-	-	-	-	102,470	86,628
Utilities	63,542	-	-	-	-	63,542	85,411
Other	7,425	-	-	-	-	7,425	8,830
Total Direct Assistance	622,079	-	-	-	-	622,079	546,364
Program Expenses:							
Food	-	-	1,212	-	-	1,212	7,291
Camp Expense	-	-	11,784	-	-	11,784	8,432
Summer Enrichment	-	-	-	-	-	-	1,238
Transportation	-	-	2,661	-	-	2,661	3,185
Security	-	-	-	-	-	-	3,472
Supplies	-	-	-	-	-	-	2,401
Curriculum	-	-	-	-	-	-	2,248
Education Assistance	-	-	10,764	-	-	10,764	14,208
Program Transition Expense	-	87,270	-	-	-	87,270	-
Rent	-	-	-	-	-	-	18,200
Utilities	-	-	-	-	-	-	10,645
Uniforms	-	-	670	-	-	670	15
Family Assistance	-	-	-	-	-	-	6,825
Other	-	-	2,557	-	-	2,557	3,483
Total Program Expenses	-	87,270	29,648	-	-	116,918	81,643

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

PRINCETON OUTREACH PROJECTS, INC.

STATEMENTS OF SUPPORT, REVENUES, AND EXPENSES - MODIFIED CASH BASIS (CONT'D)

YEARS ENDED DECEMBER 31, 2011 AND 2010

	Crisis Ministry	Trenton After School Program	Trenton Children's Chorus	Housing Initiative Program	Joint Administration	2011 Total	2010 Total
Other Operating Costs:							
Insurance	24,808	2,999	3,391	-	-	31,198	40,164
Fundraising Expenses	-	-	-	-	-	-	15,447
Special Events	11,922	-	-	-	-	11,922	40,455
Joint Organization Expenses and Transfers	-	-	-	-	14,781	14,781	1,711
Conference and Training	763	-	2,359	-	-	3,122	5,379
Consultants	8,994	-	-	-	-	8,994	1,575
Audit	14,575	6,101	4,000	-	-	24,676	24,576
Maintenance and Supplies	10,883	-	-	-	-	10,883	18,700
Miscellaneous	-	50	-	-	700	750	12,972
Newsletter and Publicity	2,868	-	2,318	-	-	5,186	11,815
Office	18,468	-	711	-	-	19,179	20,550
Postage	3,517	763	-	-	-	4,280	6,127
Rent	64,600	9,000	4,000	-	-	77,600	79,650
Staff and Volunteer Support	1,171	-	-	-	-	1,171	1,481
Telephone	14,663	651	1,079	-	-	16,393	21,726
Transportation	8,561	1,920	-	-	-	10,481	15,303
Utilities	22,217	-	-	-	-	22,217	21,563
Casualty Loss	12,975	-	-	-	-	12,975	-
Depreciation	24,189	-	571	-	-	24,760	22,639
Total Operating Costs	245,174	21,484	18,429	-	15,481	300,568	361,833
Total Expenses	1,388,431	124,129	115,116	-	15,481	1,643,157	1,829,544
Change in Net Assets:							
Excess (Deficiency) of Revenues Over Expenses for the Year	480,731	(47,217)	22,930	-	(12,627)	443,817	520,191
Net Assets at the Beginning of Year	2,150,364	61,983	188,245	142,073	15,009	2,557,674	2,037,483
Transfers Between Programs	-	(10,766)	-	-	10,766	-	-
Net Assets Distributed to Other Entities (See Note 10 Separation of Programs)	-	(4,000)	(211,175)	(142,073)	-	(357,248)	-
NET ASSETS AT END OF YEAR	$ 2,631,095	$ -	$ -	$ -	$ 13,148	$ 2,644,243	$ 2,557,674

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

Note 1. Summary of Significant Accounting Policies

Organization and Nature of Activities:

Princeton Outreach Projects, Inc. (POPI) is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Organization oversees several community outreach programs, described below:

The mission of the Crisis Ministry of Princeton and Trenton is to partner with our community to achieve stability for our neighbors in need. The program focuses on hunger prevention, homelessness prevention, and workforce development for low-income individuals and families in Mercer County, New Jersey. Core programs include the operation of two food pantries, financial assistance for rent, mortgage and utilities, as well as job training and job search assistance.

The Trenton After School Program provides after school tutoring and enrichment activities, mentoring, and summer camp assistance to children in the West Ward of Trenton.

The Trenton Childrens' Chorus offers children from Trenton, New Jersey an opportunity to sing a wide range of choral literature, and provides a way for children of different backgrounds to get to know one another through artistic endeavor.

Housing Initiatives of Princeton, LLC is a transitional housing program that seeks to provide housing, supervision, and social services for low-income families who are homeless or under-housed.

Basis of Accounting:

The Organization prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, but includes depreciation and amortization on capitalized assets and unrealized gains (losses) on investments. Under this basis, revenues are recognized when received, rather than when earned, and expenses are generally recognized when paid rather than when incurred. Consequently, accounts receivable, accounts payable, and other prepaid expenses and certain accrued expenses are not included in the financial statements.

Contributions:

All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor.

Note 1. Summary of Significant Accounting Policies (Cont'd)

Management's Use of Estimates and Assumptions:

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Investments:

Investments are in a mutual fund, investing in intermediate-term, investment-grade corporate bonds and money market funds. Investments are carried at fair market value using quoted market prices in active markets. Realized gains are determined using the average cost method. Mutual funds and money market accounts are not insured by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of the investment at $1 per share, it is possible for the value to fall below $1 per share.

Property, Equipment and Depreciation:

Property and equipment are stated at cost. Significant additions are capitalized, while expenditures for maintenance and repairs are expensed as incurred. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation accounts are relieved, and any gain or loss is included in the Statements of Support, Revenues, and Expenses - Modified Cash Basis.

Concentrations of Credit Risk:

The Organization's cash and cash equivalent accounts and interest bearing deposits in banks and other financial institutions may at times exceed the federally insured limits. The Organization has not experienced any losses in these accounts. Management believes that the Organization is not exposed to any significant risk on these deposits.

Contributed Services and Goods:

The Organization receives a substantial amount of donated services and goods in carrying out its ministry. The Organization also receives the free use of office space from Nassau Presbyterian Church. No amounts have been reflected in these financial statements for those donated services and goods.

Note 1. Summary of Significant Accounting Policies (Cont'd)

Income Taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization is subject to routine audits by taxing jurisdictions. There are currently no such audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examination for years prior to 2009.

The Organization's policy is to classify income tax related interest and penalties in interest expense and miscellaneous operating costs, respectively.

Date of Management Evaluation of Subsequent Events:

Management has evaluated subsequent events through September 21, 2012, the date on which the financial statements were available to be issued.

Note 2. Investments

Investments as of December 31, 2011 and 2010 are summarized as follows:

Crisis Ministry of Princeton and Trenton - unrestricted:

December 31, 2011	Cost	Fair value	Unrealized gain (loss)
Vanguard Intermediate Term Investment - Grade Fund Admiral Shares	$ 527,560	$ 531,580	$ 4,020
Vanguard Prime Money Market Fund	290,240	290,240	-
Vanguard Admiral Treasury Money Market Fund	549,209	549,209	-
Total	$1,367,009	$1,371,029	$ 4,020

Note 2. Investments (Cont'd)

December 31, 2010	Cost	Fair value	Unrealized gain (loss)
Vanguard Intermediate Term Investment - Grade Fund Admiral Shares	$ 493,950	$ 494,441	$ 491
Vanguard Prime Money Market Fund	150,157	150,157	-
Vanguard Admiral Treasury Money Market Fund	689,105	689,105	-
Total	$1,333,212	$1,333,703	$ 491

The fair value of investments is based on quoted market prices available on an active market.

Note 3. Property and Equipment

The following is a summary of property and equipment:

	Estimated useful lives in years	2011	2010
Furniture	7	$ -	$ 2,206
Computers and office equipment	3 - 5	85,113	100,771
Leasehold improvements	10 - 40	78,692	80,346
Vehicle	5	95,114	85,527
		258,919	268,850
Accumulated depreciation		113,550	150,735
		$145,369	$118,115

Depreciation expense charged to operations was $24,760 and $22,639 for the years ended December 31, 2011 and 2010, respectively.

Note 4. Donor Restricted Contributions

Donor restricted contributions received during the years ended December 31, 2011 and 2010 totaled $864,500 and $799,526, respectively. The ending balance in temporarily restricted net assets was approximately $49,000 and $79,000 at December 31, 2011 and 2010, respectively. The balance at December 31, 2011 was restricted for specific purposes within the Crisis Ministries.

Note 5. Endowment Investment and Spending Policies

The Organization's endowment consists of contributions that donors designated for the operation of Crisis Ministry's Princeton office. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During 2011, the Organization established an endowment fund with the Princeton Area Community Foundation (PACF), an unaffiliated organization, with a $250,000 contribution received in 2010. The Foundation has full authority and discretion as to the investment of the assets of the fund.

The Princeton Outreach Projects, Inc. endowment fund was created by the board of trustees to help secure the Organization's future by establishing a base of financial security and providing a flow of investment income to complement annual fundraising. The endowment fund currently includes donor restricted funds.

The endowment fund consists of pooled separate accounts with the Princeton Area Community Foundation, which includes domestic and international equity funds, corporate bond funds, limited partnerships, alternative investments and cash. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. In June 2009, the State of New Jersey enacted a version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") which replaced the prior Uniform Management of Institutional Funds Act ("UMIFA"). The Board interpreted this act as allowing the Organization the powers to manage and invest the funds in good faith and with the care an ordinarily prudent person, in a like position, would exercise under similar circumstances. The Board also interpreted UPMIFA as requiring the assets in an endowment fund to be donor-restricted assets until appropriated for expenditure by the Board, unless stated otherwise in the gift instrument. The original value of all gifts donated to the endowment fund will be classified as permanently restricted net assets, with endowment earnings classified as temporarily restricted net assets.

Note 5. Endowment Investment and Spending Policies (Cont'd)

The Organization has adopted investment policies that seek long term capital growth, current income, and growth of income, consistent with prudent, conservative and risk-averse investments for its endowment. For the year ended December 31, 2011, the endowment funds were invested with the PACF, which investments are comprised of domestic and international equity funds, corporate bond funds, limited partnerships, alternative investments and cash.

To satisfy its long term objectives, the Organization relies on the total return strategy adopted by PACF. Investments at PACF are invested in a manner that is intended to produce results that match or exceed a blended benchmark of domestic and international equities, corporate bonds and limited partnerships, while assuming a moderate level of investment risk.

The Organization can receive annual payments of up to 5% of the endowment fund's fair value of the prior calendar year-end. The payments can be used for operating expenses of Crisis Ministry.

Endowment net asset composition is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
December 31, 2011 - Balance	$ (2,305)	$ -	$250,000	$247,695
December 31, 2010 - Balance	$ -	$ -	$250,000	$250,000

The endowment fund is classified as a beneficial interest in assets held by a foundation on the Statements of Assets, Liabilities, and Net Assets - Modified Cash Basis.

Note 5. Endowment Investment and Spending Policies (Cont'd)

Changes in endowment net assets are as follows:

Year ended December 31, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$250,000	$250,000
Contributions	-	-	-	-
Appropriated for expenditures	-	-	-	-
Investment income	-	6,434	-	6,434
Unrealized gain (loss)	(2,305)	(6,434)	-	(8,739)
Endowment net assets, end of year	$ (2,305)	$ -	$250,000	$247,695

Year ended December 31, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ -	$ -
Contributions	-	-	250,000	250,000
Appropriated for expenditures	-	-	-	-
Investment income	-	-	-	-
Unrealized gain (loss)	-	-	-	-
Endowment net assets, end of year	$ -	$ -	$250,000	$250,000

Note 6. Retirement Plan

The Organization participates in the retirement benefit plan of the Presbyterian Church (U.S.A.). Contributions are 11% of salary for all employees who work more than 20 hours per week, except for the Executive Director of Crisis Ministry. During the years ended December 31, 2011 and 2010, expenses to the Organization under these arrangements were $23,488 and $40,135, respectively.

Note 7. Operating Lease Agreements and Commitments

As of January 1, 2009, the Crisis Ministry of Princeton and Trenton entered into a five-year operating lease for its Trenton food pantry and office facility. At the end of twenty-four months, either party to the lease may terminate the agreement with twelve months written notice.

In December 2011, a fire damaged the Trenton food pantry and office facility, rendering it unable to be occupied by the Organization. The landlord has released the Organization from its obligation to pay rent on the damaged pantry and office facility until the building is repaired and occupied. The landlord had agreed to rent temporary space to the Organization. No lease has been signed for the temporary space.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of December 31, 2011 for each of the next five years and in the aggregate are:

Year ended December 31,	Amount
2012	$ 66,768
2013	69,432
2014 and thereafter	-
Total minimum future rental payments	$136,200

Rental expense under all operating leases aggregated $77,600 and $79,650 for the years ended December 31, 2011 and 2010, respectively.

Note 8. Functional Allocation of Expenses

For the year ended December 31, 2011, approximately 88% of the Organization's expenses relate to core program services, 9% to supporting services, and 3% to fundraising. For the year ended December 31, 2010, approximately 87% of the Organization's expenses relate to core program services, 10% to supporting services, and 3% to fundraising.

Note 9. Related Party Transactions

The Organization is sponsored by Nassau Presbyterian Church and Trinity Episcopal Church of Princeton. The Organization receives a substantial part of its support from these two churches and their members.

Note 10. Separation of Programs

Effective January 1, 2011, Housing Initiatives of Princeton (HIP) is operating as a separate entity and is no longer a program within Princeton Outreach Projects, Inc. Effective August 1, 2011, Trenton Children's Chorus (TCC) has incorporated and will also operate as an independent New Jersey non-profit. In 2011, the Trenton After School Program (TASP) transitioned one of its locations to another nonprofit organization. A second location was closed. A memorandum of understanding was signed by TASP and the successor organization. The memorandum stated that TASP would make a payment of $36,000 to provide financial support for the period January 1, 2011 through June 30, 2011. The memorandum further stated that TASP would make its best efforts to provide financial support for the period September 1, 2011 through June 30, 2012. TASP made $87,270 in payments to the successor organization under this agreement during 2011, thus fulfilling its best efforts agreement. The payments were made ahead of schedule, and no further amounts are due.

PRINCETON OUTREACH PROJECTS, INC.

SCHEDULES OF ASSETS, LIABILITIES, AND NET ASSETS BY PROGRAM - MODIFIED CASH BASIS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	Crisis Ministry	Trenton After School Program	Trenton Children's Chorus	Housing Initiative Program	Joint Administration	2011 Total	2010 Total
ASSETS							
Cash	$ 861,455	$ -	$ -	$ -	$ 13,148	$ 874,603	$ 1,100,416
Beneficial Interest in Assets Held by a Foundation	247,695	-	-	-	-	247,695	-
Security Deposits	3,500	-	-	-	-	3,500	3,500
Investments	1,371,029	-	-	-	-	1,371,029	1,333,703
Property and Equipment	258,919	-	-	-	-	258,919	268,850
Accumulated Depreciation	(113,550)	-	-	-	-	(113,550)	(150,735)
Credits for Food Purchases	2,047	-	-	-	-	2,047	1,940
TOTAL ASSETS	$ 2,631,095	$ -	$ -	$ -	$ 13,148	$ 2,644,243	$ 2,557,674
LIABILITIES AND NET ASSETS							
Liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Assets	2,631,095	-	-	-	13,148	2,644,243	2,557,674
TOTAL LIABILITIES AND AND NET ASSETS	$ 2,631,095	$ -	$ -	$ -	$ 13,148	$ 2,644,243	$ 2,557,674

See independent auditors' report.

INDEPENDENT AUDITORS' 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
Princeton Outreach Projects, Inc.
Princeton, New Jersey

We have audited the financial statements of PRINCETON OUTREACH PROJECTS, INC. (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated September 21, 2012. 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.

Internal Control Over Financial Reporting

Management of Princeton Outreach Projects, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Princeton Outreach Projects, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Princeton Outreach Projects, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Princeton Outreach Projects, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Princeton Outreach Projects, Inc. in a separate letter dated September 21, 2012.

This report is intended solely for the information and use of the board of trustees, management, others within the entity, and other awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

Klatzkin & Company

KLATZKIN & COMPANY LLP

Hamilton, New Jersey
September 21, 2012