

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
Raleigh, North Carolina

Audited Financial Statements

Years Ended June 30, 2016 and 2015



PREVENT CHILD ABUSE, NORTH CAROLINA INC.
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and Consultants

Report of Independent Auditors

To the Board of Directors
Prevent Child Abuse, North Carolina Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Prevent Child Abuse, North Carolina Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016 and 2015, and the changes in its net assets, cash flows, and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Thomas S. Gibbs CPA, PLLC

Durham, North Carolina
November 29, 2016

PREVENT CHILD ABUSE, NORTH CAROLINA INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 927,631	\$ 492,605
Grants and contracts receivable (note 3)	114,996	260,776
Accounts receivable	6,498	31,209
Prepaid expenses	<u>25,435</u>	<u>18,465</u>
Total current assets	<u>1,074,560</u>	<u>803,055</u>
Property and equipment, net (note 4)	<u>15,047</u>	<u>18,940</u>
Total non current assets	<u>15,047</u>	<u>18,940</u>
Total assets	<u>\$ 1,089,607</u>	<u>\$ 821,995</u>
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 17,003	\$ 85,058
Accrued paid time off (note 13)	22,741	31,079
Deferred revenue (note 7)	<u>531,006</u>	<u>244,277</u>
Total liabilities	<u>570,750</u>	<u>360,414</u>
Net assets		
Unrestricted	518,857	386,852
Temporarily restricted (note 5)	<u>-</u>	<u>74,729</u>
Total net assets	<u>518,857</u>	<u>461,581</u>
Total liabilities and net assets	<u>\$ 1,089,607</u>	<u>\$ 821,995</u>

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

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 182,402	\$ -	\$ 182,402
Conference and training	10,875	-	10,875
Special events	14,031	-	14,031
Contracts	611,658	-	611,658
Grants	641,182	-	641,182
Membership dues	93,530	-	93,530
Interest income	3,348	-	3,348
Other income	35,299	-	35,299
Total revenue	<u>1,592,325</u>	<u>-</u>	<u>1,592,325</u>
Net assets released from restrictions (note 6)	<u>74,729</u>	<u>(74,729)</u>	<u>-</u>
Total support and revenues	<u>1,667,054</u>	<u>(74,729)</u>	<u>1,592,325</u>
Expenses			
Program services	1,363,738	-	1,363,738
Management and general	117,432	-	117,432
Fundraising	53,879	-	53,879
Total expenses	<u>1,535,049</u>	<u>-</u>	<u>1,535,049</u>
Change in net assets	132,005	(74,729)	57,276
Net assets, beginning of year	<u>386,852</u>	<u>74,729</u>	<u>461,581</u>
Net assets, end of year	<u>\$ 518,857</u>	<u>\$ -</u>	<u>\$ 518,857</u>

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

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 126,187	\$ -	\$ 126,187
Conference and training	69,487	-	69,487
Contracts	632,147	-	632,147
Grants	951,858	75,000	1,026,858
Membership dues	94,975	-	94,975
Interest income	3,498	-	3,498
Other income	39,732	-	39,732
Total revenue	1,917,884	75,000	1,992,884
Net assets released from restrictions (note 6)	75,844	(75,844)	-
Total support and revenues	1,993,728	(844)	1,992,884
Expenses			
Program services	1,723,738	-	1,723,738
Management and general	220,394	-	220,394
Fundraising	29,740	-	29,740
Total expenses	1,973,872	-	1,973,872
Change in net assets	19,856	(844)	19,012
Net assets, beginning of year	366,996	75,573	442,569
Net assets, end of year	\$ 386,852	\$ 74,729	\$ 461,581

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

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating activities		
Change in net assets	\$ 57,276	\$ 19,012
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	9,889	8,028
Changes in operating assets and liabilities:		
Grants and contracts receivable, net	145,780	(164,502)
Accounts receivable	24,711	35,618
Prepaid expenses	(6,970)	196
Accounts payable	(68,055)	5,499
Accrued paid time off	(8,338)	(119)
Deferred revenue	<u>286,729</u>	<u>(459,985)</u>
Net cash provided (used) by operating activities	441,022	(556,253)
Cash flows from investing activities		
Cash paid for purchases of fixed assets	<u>(5,996)</u>	<u>(6,331)</u>
Net cash used by investing activities	(5,996)	(6,331)
Net increase (decrease) in cash and cash equivalents	435,026	(562,584)
Cash and cash equivalents, beginning of year	<u>492,605</u>	<u>1,055,189</u>
Cash and cash equivalents, end of year	<u>\$ 927,631</u>	<u>\$ 492,605</u>

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

PREVENT CHILD ABUSE, NORTH CAROLINA INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	Program Services					Support Services			
	Public Education	Prevention Programs	Training	Other Programs	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Salaries	\$ 81,176	\$ 662,880	\$ 43,902	\$ 60,467	\$ 848,425	\$ 72,319	\$ 27,768	\$ 100,087	\$ 948,512
Fringe benefits and payroll taxes	17,923	150,545	7,186	9,115	184,769	17,435	5,778	23,213	207,982
Travel	1,466	9,881	193	289	11,829	493	893	1,386	13,215
Telephone/internet	675	4,880	263	539	6,357	1,194	198	1,392	7,748
Postage	2,626	1,848	784	4,989	10,247	943	800	1,743	11,990
Supplies	510	3,156	252	747	4,665	695	482	1,177	5,842
Printing and reproduction costs	-	1,002	-	250	1,252	628	1,566	2,194	3,446
Special events expenses	-	-	-	-	-	-	1,344	1,344	1,344
Public awarneses	38,212	-	-	-	38,212	1,601	199	1,800	40,012
Training expenses	-	24,866	3,763	1,019	29,648	12	-	12	29,660
Office and equipment expenses	4,289	42,778	2,213	(97)	49,183	3,869	1,992	5,861	55,044
Outside consultants and services	1,554	163,427	225	1,676	166,882	3,968	11,364	15,332	182,214
Fees and service charges	-	245	66	1,142	1,454	1,348	1,378	2,726	4,180
Audit	-	-	-	1,731	1,731	12,241	-	12,241	13,971
Depreciation	-	976	-	8,110	9,086	686	117	803	9,889
Totals	\$ 148,431	\$ 1,066,483	\$ 58,848	\$ 89,977	\$ 1,363,738	\$ 117,432	\$ 53,879	\$ 171,311	\$ 1,535,049

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

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	Program Services				Support Services				Total Expenses
	Public Education	Prevention Programs	Training	Other Programs	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 60,218	\$ 824,849	\$ 44,663	\$ 4,474	\$ 934,204	\$ 123,150	\$ 12,230	\$ 135,380	\$ 1,069,584
Fringe benefits and payroll taxes	13,111	204,465	7,725	1,609	226,910	32,676	3,153	35,829	262,739
Travel	1,881	18,345	472	121	20,819	2,772	1,090	3,862	24,681
Telephone/internet	597	7,698	221	156	8,672	1,094	192	1,286	9,958
Postage	6,058	4,081	2,750	1,691	14,580	1,337	663	2,000	16,580
Supplies	442	4,435	636	635	6,148	629	588	1,217	7,365
Printing and reproduction costs	-	54	-	89	143	670	3,197	3,867	4,010
Public awarneses	50,805	386	-	-	51,191	1,639	189	1,828	53,019
Training expenses	-	60,781	59,362	-	120,143	-	-	-	120,143
Office equipment expenses	4,589	58,489	2,994	445	66,517	8,850	1,143	9,993	76,510
Outside consultants and services	973	259,197	1,652	3,018	264,840	33,219	5,232	38,451	303,291
Fees and service charges	-	230	8	2,141	2,379	2,264	1,951	4,215	6,594
Audit	-	-	-	-	-	11,550	-	11,550	11,550
Depreciation	-	1,120	-	6,072	7,192	544	112	656	7,848
Totals	\$ 138,674	\$ 1,444,130	\$ 120,483	\$ 20,451	\$ 1,723,738	\$ 220,394	\$ 29,740	\$ 250,134	\$ 1,973,872

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

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 1 – Nature of activities and significant accounting policies

Prevent Child Abuse, North Carolina Inc., (the “Organization”) was formed January 1, 1979 for educational, scientific, and charitable purposes. The Organization is dedicated to the prevention of child abuse and neglect in all its forms. The Organization is supported mainly through federal and private grants.

Basis of accounting - The Organization uses the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Basis of presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Accounting Standards Codification (ASC) Topic 958-205, *Not-for-profit Entities – Presentation of Financial Statements*. Under ASC Topic 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are defined as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets – Net assets subject to donor-imposed stipulation that require actions of the Organization or the passage of time. When a restriction expires as a result of the lapse of a time requirement or achievement of the specific operating purpose stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are available to be used primarily to meet program requirements. The organization has no temporarily restricted net assets at June 30, 2016.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations or interpretation of applicable law that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets at June 30, 2016 or 2015.

Revenue recognition - The Organization follows ASC Topic 985-605, *Revenue Recognition*. In accordance with ASC 985-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted net assets.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 1 – Nature of activities and significant accounting policies (continued)

Advertising - The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2016 and 2015 is \$0.

Property and equipment – Furniture and equipment are recorded at cost. It is the Organization’s policy that equipment expenditures costing less than \$500 are expensed. The fair values of donated fixed assets are also capitalized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from three to seven years.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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. Consequently, no provision for income taxes has been made in the accompanying statements.

Uncertain tax positions – Income from certain activities not directly related to the Organization’s tax-exempt purposes may be subject to taxation as unrelated business income. The Organization currently has no obligation for unrelated business income tax.

Expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 – Cash and cash equivalents

Cash equivalents consist of short-term, highly liquid investments, with original maturities at time of purchase of less than ninety days.

The Organization had the following cash and cash equivalents balances available for operations as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Checking	\$ 773,710	\$ 340,451
Money market	151,046	150,905
Undeposited funds	<u>2,876</u>	<u>1,249</u>
Total	<u>\$ 927,631</u>	<u>\$ 492,605</u>

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016 and 2015

Note 3 – Grants and contracts receivable

At June 30, 2016 and 2015, the Organization is due the following amounts:

	<u>2016</u>	<u>2015</u>
North Carolina Division of Social Services	\$ 45,289	\$ 169,702
North Carolina Department of Public Health	19,707	16,074
Child Trust	<u>50,000</u>	<u>75,000</u>
	<u>\$ 114,996</u>	<u>\$ 260,776</u>

Note 4 – Property and equipment, net

Property and equipment consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture	\$ 11,613	\$ 15,784
Equipment	<u>48,216</u>	<u>49,962</u>
Total property and equipment	59,829	65,746
Less accumulated depreciation	<u>(44,782)</u>	<u>(46,806)</u>
Property and equipment, net	<u>\$ 15,047</u>	<u>\$ 18,940</u>

The Organization recognized depreciation expense of \$9,889 and \$7,848 for the years ended June 30, 2016 and 2015, respectively.

Note 5 – Temporarily restricted net assets

The following temporarily restricted net assets are available for prevention programs including Incredible Years and Strengthening Families at June 30, as indicated:

	<u>2016</u>	<u>2015</u>
Ms. Foundation for Women	<u>\$ -</u>	<u>\$ 74,729</u>
	<u>\$ -</u>	<u>\$ 74,729</u>

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2016 and 2015

Note 6 – Net assets released from restrictions

During the years ended June 30, 2016 and 2015, temporarily restricted net assets totaling \$74,729 and \$75,844 were released due to satisfaction of purpose restrictions.

	<u>2016</u>	<u>2015</u>
Ms. Foundation for Women	\$ 74,729	\$ 75,844
	<u>\$ 74,729</u>	<u>\$ 75,844</u>

Note 7 – Deferred revenue

The Organization records grant awards accounted for as exchange transactions as deferred revenue until related services are performed, at which time they are recognized as revenue. Deferred revenue is also recorded for membership dues collected in advance.

At June 30, 2016 and 2015, deferred revenue consists of:

	<u>2016</u>	<u>2015</u>
The Duke Endowment	\$ 525,376	\$ 226,802
Membership dues	1,380	600
Other	4,250	16,875
	<u>\$ 531,006</u>	<u>\$ 244,277</u>

Note 8 – Concentrations

The Organization holds its cash and cash equivalents in North Carolina based banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. There are uninsured cash account balances of \$451,369 and \$5,188 at June 30, 2016 and 2015, respectively.

Concentrations in grant funds for the years ended June 30, 2016 and 2015 are summarized below.

	<u>2016</u>	<u>2015</u>
The Duke Endowment	34%	35%
North Carolina DSS (federal pass-through)	49%	38%
Other sources	18%	27%
	<u>100%</u>	<u>100%</u>

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 9 – Lease commitments

The Organization leases its office space under one year operating lease agreements ending August 31, 2016 and 2015. In addition, the Organization leases certain equipment under leases which expire at various times through 2019. Rent expense under the office and equipment leases was approximately \$38,540 for the year ended June 30, 2016 and \$53,049 for the year ended June 30, 2015.

Future minimum payments, by year and in aggregate, under operating leases with remaining terms of one year or more are as follows at June 30, 2016:

Year Ending	
June 30	Amount
2017	\$ 37,344
2018	7,344
2019	336
	<u>\$ 45,024</u>

Note 10 – Description of program services

Prevention Programs – Administer the Incredible Years, Strengthening Families Program 6-11, Circle of Parents and NC Nurse-Family Partnership Initiative by offering coaching, implementation support, technical assistance, pre-service training, professional networks, sustainability, and leadership development. Cultivate a Prevention Network to advocate for community-based prevention organizations, promote evidence-based programs and protect children from child sexual abuse. The organization transitioned out of supporting the NC Nurse-Family Partnership Initiative during the year ended June 30, 2016.

Public Education - Statewide public awareness campaigns are designed to help communities understand the impact of child maltreatment and the importance of children’s healthy growth and development. Communities are provided with parenting materials, toolkits, statistics and research, information about access to parent support, an 800-line for information and referral services, and information about how to recognize and respond to child maltreatment.

Training and Professional Development – Provide statewide trainings, consultation, professional network opportunities and biennial learning & leadership summit. Conduct trainings online, through webinars and in person throughout the year to increase knowledge about child abuse and neglect prevention, and engage professionals and child advocates to build professional skills.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016 and 2015

Note 11 – Contingencies

The Organization receives grant funds. Such funds are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Organization.

The Organization has the usual obligations of a contractor for performance in connection with contracts for work performed and to be performed. Management does not anticipate any significant losses in connection with these grants.

Note 12 – Retirement plan

The Organization provides retirement benefits to its participating employees through a defined contribution plan. The Organization contributes four percent of each participant's eligible compensation to the plan. Contributions to the plan during the year ended June 30, 2016 and 2015 were \$22,833 and \$39,985, respectively.

Note 13 – Accrued paid time off

The Organization has a leave policy in which employees are allowed to carry over 10 days of accrued leave into the subsequent year. Accrued paid time off was \$22,741 and \$31,079 as of June 30, 2016 and 2015, respectively.

Note 14 - Line of credit

The Organization maintains a line of credit with Paragon Commercial Bank of \$75,000 which is unsecured. Advances under this agreement require interest payments monthly at prime rate plus 2% with a floor of 5.5%. At June 30, 2016 and 2015, there was no outstanding balance on the line of credit.

Note 15 – Subsequent events

The Organization has evaluated subsequent events occurring after June 30 2016 through November 29, 2016, which is the date the financial statements were available to be issued.