

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

**Audited Financial Statements  
and  
Compliance Section**

Years Ended June 30, 2015 and 2014



PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
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Years Ended June 30, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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.

## **Other Matters**

### *Other 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 federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* on page 20, 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 information 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 December 22, 2015 on our consideration of the Organization'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 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 the Organization's internal control over financial reporting and compliance.

*Hanes & Gibbs CA's, PLLC*

Durham, North Carolina  
December 22, 2015

## PREVENT CHILD ABUSE, NORTH CAROLINA INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	2015	2014
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 2)	\$ 492,605	\$ 1,055,189
Grants and contracts receivable (note 3)	260,776	96,274
Accounts receivable	31,209	66,827
Prepaid expenses	18,465	18,661
Total current assets	<u>803,055</u>	<u>1,236,951</u>
Property and equipment, net (note 4)	18,940	20,637
Total non current assets	<u>18,940</u>	<u>20,637</u>
Total assets	<u>\$ 821,995</u>	<u>\$ 1,257,588</u>
<b>Liabilities and net assets</b>		
Liabilities		
Accounts payable and accrued expenses	85,058	79,559
Accrued paid time off (note 13)	31,079	31,198
Deferred revenue (note 5)	244,277	704,262
Total liabilities	<u>360,414</u>	<u>815,019</u>
Net assets		
Unrestricted	386,852	366,996
Temporarily restricted (note 6)	74,729	75,573
Total net assets	<u>461,581</u>	<u>442,569</u>
Total liabilities and net assets	<u>\$ 821,995</u>	<u>\$ 1,257,588</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
<b>Support and revenue</b>			
Contributions	\$ 126,187	\$ -	\$ 126,187
Conference and training	69,487	-	69,487
Special events	0	-	-
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	<u>1,917,884</u>	<u>75,000</u>	<u>1,992,884</u>
Net assets released from restrictions (note 7)	<u>75,844</u>	<u>(75,844)</u>	<u>-</u>
Total support and revenues	<u>1,993,728</u>	<u>(844)</u>	<u>1,992,884</u>
<b>Expenses</b>			
Program services	1,723,738	-	1,723,738
Management and general	220,394	-	220,394
Fundraising	29,740	-	29,740
Total expenses	<u>1,973,872</u>	<u>-</u>	<u>1,973,872</u>
Change in net assets	19,856	(844)	19,012
Net assets, beginning of year	<u>366,996</u>	<u>75,573</u>	<u>442,569</u>
Net assets, end of year	<u>\$ 386,852</u>	<u>\$ 74,729</u>	<u>\$ 461,581</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, 2014

	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue</b>			
Contributions	\$ 160,769	\$ -	\$ 160,769
Conference and training	30,630	-	30,630
Special events	18,105	-	18,105
Contracts	530,071	-	530,071
Grants	892,528	75,000	967,528
Membership dues	100,685	-	100,685
Interest income	3,004	-	3,004
Other income	40,341	-	40,341
Total revenue	<u>1,776,133</u>	<u>75,000</u>	<u>1,851,133</u>
Net assets released from restrictions (note 7)	115,107	(115,107)	-
Total support and revenues	<u>1,891,240</u>	<u>(40,107)</u>	<u>1,851,133</u>
<b>Expenses</b>			
Program services	1,672,730	-	1,672,730
Management and general	112,280	-	112,280
Fundraising	95,789	-	95,789
Total expenses	<u>1,880,799</u>	<u>-</u>	<u>1,880,799</u>
Change in net assets	10,441	(40,107)	(29,666)
Net assets, beginning of year	<u>356,555</u>	<u>115,680</u>	<u>472,235</u>
Net assets, end of year	<u>\$ 366,996</u>	<u>\$ 75,573</u>	<u>\$ 442,569</u>

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, 2015 and 2014

	2015	2014
<b>Operating activities</b>		
Change in net assets	\$ 19,012	\$ (29,666)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	8,028	9,768
Changes in operating assets and liabilities:		
Grants and contracts receivable, net	(164,502)	(33,298)
Accounts receivable	35,618	(50,886)
Prepaid expenses	196	5,074
Accounts payable	5,499	21,970
Accrued paid time off	(119)	5,002
Deferred revenue	(459,985)	400,114
Net cash (used) provided by operating activities	(556,253)	328,078
Cash flows from investing activities		
Cash paid for purchases of fixed assets	(6,331)	(5,729)
Net cash used by investing activities	(6,331)	(5,729)
Net (decrease) increase in cash and cash equivalents	(562,584)	322,349
Cash and cash equivalents, beginning of year	1,055,189	732,840
Cash and cash equivalents, end of year	\$ 492,605	\$ 1,055,189

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
Special events expenses	-	-	-	-	-	-	-	-	-
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 and 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
<b>Totals</b>	<b>\$ 138,674</b>	<b>\$ 1,444,130</b>	<b>\$ 120,483</b>	<b>\$ 20,451</b>	<b>\$ 1,723,738</b>	<b>\$ 220,394</b>	<b>\$ 29,740</b>	<b>\$ 250,134</b>	<b>\$ 1,973,872</b>

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, 2014

	Program Services					Support Services			Total Expenses
	Public Education	Prevention Programs	Training	Other Programs	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 5,654	\$ 934,242	\$ -	\$ 42,055	\$ 981,951	\$ 57,210	\$ 53,349	\$ 110,559	\$ 1,092,510
Fringe benefits and payroll taxes	1,227	224,209	-	16,374	241,810	17,645	12,091	29,736	271,546
Travel	974	22,174	3,809	1,387	28,344	1,649	1,991	3,640	31,984
Telephone/internet	19	8,430	-	1	8,450	576	629	1,205	9,655
Postage	2,662	3,320	-	4,243	10,225	248	1,266	1,514	11,739
Supplies	15	5,467	-	143	5,625	718	2,090	2,808	8,433
Printing and reproduction costs	3	265	-	2	270	187	2,190	2,377	2,647
Special events expenses	-	-	-	-	-	-	3,741	3,741	3,741
Public awarneses	32,738	1,035	-	39	33,812	418	77	495	34,307
Training expenses	-	54,474	11,509	59	66,042	-	-	-	66,042
Office equipment expenses	293	62,445	-	1,979	64,717	3,193	4,807	8,000	72,717
Outside consultants and services	51,361	165,854	-	608	217,823	17,816	9,130	26,946	244,769
Fees and service charges	-	592	-	2,370	2,962	863	3,561	4,424	7,386
Audit	-	-	-	2,036	2,036	11,489	-	11,489	13,525
Depreciation	-	2,733	-	5,930	8,663	268	867	1,135	9,798
<b>Totals</b>	<b>\$ 94,946</b>	<b>\$ 1,485,240</b>	<b>\$ 15,318</b>	<b>\$ 77,226</b>	<b>\$ 1,672,730</b>	<b>\$ 112,280</b>	<b>\$ 95,789</b>	<b>\$ 208,069</b>	<b>\$ 1,880,799</b>

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

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

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**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.

**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, 2015 or 2014.

**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, 2015 and 2014

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**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, 2015 and 2014 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** - FASB ASC-740-10, *Income Taxes*, provides guidance for reporting uncertainty in income taxes. For the year ended June 30, 2015, the Organization has considered FASB ASC 740-10, as amended by Accounting Standards Update (ASU) 2009-06, and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The statutes of limitations for the Organization’s Forms 990 for fiscal years ending June 30, 2012 through June 30, 2014 remain open at June 30, 2015.

**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.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2015 and 2014

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**Note 2 – Cash and cash equivalents (continued)**

The Organization had the following cash and cash equivalents balances available for operations as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Checking	\$ 340,452	\$ 897,218
Money market	150,905	150,667
Undeposited funds	<u>1,249</u>	<u>7,304</u>
Total	<u>\$ 492,605</u>	<u>\$ 1,055,189</u>

**Note 3 – Grants and contracts receivable**

At June 30, 2015 and 2014, the Organization is due the following amounts:

	<u>2015</u>	<u>2014</u>
North Carolina Division of Social Services	\$ 169,702	\$ 89,593
North Carolina Department of Public Health	16,074	6,681
Ms. Foundation for Women	<u>75,000</u>	<u>-</u>
	<u>\$ 260,776</u>	<u>\$ 96,274</u>

**Note 4 – Property and equipment, net**

Property and equipment consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Furniture	\$ 15,784	\$ 15,784
Equipment	<u>49,962</u>	<u>43,631</u>
Total property and equipment	65,746	59,415
Less accumulated depreciation	<u>(46,806)</u>	<u>(38,778)</u>
Property and equipment, net	<u>\$ 18,940</u>	<u>\$ 20,637</u>

The Organization recognized depreciation expense of \$7,848 and \$9,768 for the years ended June 30, 2015 and 2014, respectively.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2015 and 2014

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**Note 5 – 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, 2015 and 2014, deferred revenue consists of:

	2015	2014
Kate B. Reynolds Charitable Trust	\$ -	\$ 82,563
The Duke Endowment	226,802	601,174
Membership dues	600	20,025
Other	16,875	500
	\$ 244,277	\$ 704,262

**Note 6 – 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:

	2015	2014
Ms. Foundation for Women	\$ 74,729	\$ 75,573
	\$ 74,729	\$ 75,573

**Note 7 – Net assets released from restrictions**

During the years ended June 30, 2015 and 2014, temporarily restricted net assets totaling \$75,844 and \$115,107 were released due to satisfaction of purpose restrictions.

	2015	2014
The Duke Endowment	\$ -	\$ 33,400
Ms. Foundation for Women	75,844	56,707
The Eshelman Foundation	-	25,000
	\$ 75,844	\$ 115,107

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

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**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 \$5,188 and \$130,933 at June 30, 2015 and 2014, respectively.

Concentrations in grant funds for the years ended June 30, 2015 and 2014 are summarized below.

	<u>2015</u>	<u>2014</u>
The Duke Endowment	35%	30%
North Carolina DSS (federal pass-through)	38%	32%
Other sources	27%	28%
	<u>100%</u>	<u>90%</u>

**Note 9 – Lease commitments**

The Organization leases its office space under a four year operating lease agreement ending August 31, 2015. Reduced space was negotiated at reduced rent for one year effective September 1, 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 \$53,049 for the year ended June 30, 2015 and \$51,387 for the year ended June 30, 2014.

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, 2015:

Year Ending <u>June 30</u>	<u>Amount</u>
2016	\$ 38,540
2017	7,344
2018	1,344
2019	336
	<u>\$ 47,564</u>

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

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**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.

**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.

**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, 2015 and 2014 were \$39,985 and \$43,200, 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 \$31,079 and \$31,198 as of June 30, 2015 and 2014, respectively.



PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

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**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%. At June 30, 2015 and 2014, there was no outstanding balance on the line of credit.

**Note 15 – Subsequent events**

The Organization has evaluated subsequent events occurring after June 30, 2015 through December 22, 2015, which is the date the financial statements were available to be issued.