

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

Audited Financial Statements

Years Ended June 30, 2021 and 2020



PREVENT CHILD ABUSE, NORTH CAROLINA INC.
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Certified Public Accountants
and Consultants

Report of Independent Auditors

To the Board of Directors
Prevent Child Abuse, North Carolina Inc.
Morrisville, 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, 2021 and 2020, 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. 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, 2021 and 2020, 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.

Emphasis of matter

As discussed in Note 19 to the financial statements, certain errors resulting in misstatements of amounts previously reported for net assets as of June 30, 2020 and 2019 were discovered by the Organization during the year ended June 30, 2021. Accordingly, amounts reported for net assets as of June 30, 2019 have been restated to correct this misstatement. We audited the adjustments detailed in note 19 that were applied to restate the 2020 and 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Thomas J. Gibbs CPA, PLLC

Durham, North Carolina
January 4, 2022

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 2,267,824	\$ 1,687,137
Grants and contracts receivable (note 4)	554,670	1,017,993
Accounts receivable	8,338	13,497
Prepaid expenses	18,372	15,787
Total current assets	<u>2,849,204</u>	<u>2,734,414</u>
Non current assets		
Beneficial interest in assets held by others (note 5)	106,804	59,281
Security deposit	5,583	5,583
Property and equipment, net (note 6)	14,073	19,212
Total non current assets	<u>126,460</u>	<u>84,076</u>
Total assets	<u>\$ 2,975,664</u>	<u>\$ 2,818,490</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	13,316	\$ 16,691
Credit cards payable	7,423	3,965
Accrued paid time off (note 17)	53,589	59,130
Contract liabilities (note 9)	2,523	43,590
Capital lease (note 13)	2,375	2,375
Deferred rent - current portion	5,134	3,370
Total current liabilities	<u>84,360</u>	<u>129,121</u>
Non-current liabilities		
Deferred rent	13,675	18,809
Notes payable (note 10)	-	114,000
Total non-current liabilities	<u>13,675</u>	<u>132,809</u>
Total liabilities	<u>98,035</u>	<u>261,930</u>
Net assets		
Without donor restrictions	1,229,642	1,078,531
With donor restrictions (note 7)	1,647,987	1,478,029
Total net assets	<u>2,877,629</u>	<u>2,556,560</u>
Total liabilities and net assets	<u>\$ 2,975,664</u>	<u>\$ 2,818,490</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Support and revenue			
Contributions	\$ 207,552	\$ -	\$ 207,552
Conference and training	29,862	-	29,862
Special events:			
Concert event	15,221	-	15,221
5 Factors Fund 5K	35,815	-	35,815
Less: Direct benefits to participants	(2,500)	-	(2,500)
Net special events	48,536	-	48,536
Contracts	768,527	-	768,527
Grants	288,550	1,143,734	1,432,284
Membership dues	99,652	-	99,652
Other income	19,363	-	19,363
Total revenue	1,462,042	1,143,734	2,605,776
Net assets released from donor restrictions (note 8)	973,776	(973,776)	-
Total support and revenues	2,435,818	169,958	2,605,776
Expenses			
Program services			
Public education	949,822	-	949,822
Prevention programs	250,116	-	250,116
Training	900,127	-	900,127
Total program services	2,100,065	-	2,100,065
Management and general	192,130	-	192,130
Fundraising	130,232	-	130,232
Total expenses	2,422,427	-	2,422,427
Change in net assets from operating activities	13,391	169,958	183,349
Non-operating activities:			
Return on investments (net)	21,108	-	21,108
Dividends & interest	2,612	-	2,612
Loan forgiveness (note 10)	114,000	-	114,000
Change in net assets from non-operating activities	137,720	-	137,720
Change in net assets	151,111	169,958	321,069
Net assets, beginning of year	1,078,531	1,478,029	2,556,560
Net assets, end of year	\$ 1,229,642	\$ 1,647,987	\$ 2,877,629

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

PREVENT CHILD ABUSE, NORTH CAROLINA INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities:			
Support and revenue			
Contributions	\$ 140,131	\$ -	\$ 140,131
Conference and training	39,337	-	39,337
Special events:			
Registration fees	9,146	-	9,146
Contributions	27,763	-	27,763
Less: Direct benefits to participants	(2,946)	-	(2,946)
Net special events	33,963	-	33,963
Contracts	760,654	-	760,654
Grants	461,894	806,845	1,268,739
Membership dues	102,256	-	102,256
Other income	35,255	-	35,255
Total revenue	1,573,490	806,845	2,380,335
Net assets released from donor restrictions (note 8)	1,149,268	(1,149,268)	-
Total support and revenues	2,722,758	(342,423)	2,380,335
Expenses			
Program services			
Public education	1,041,766	-	1,041,766
Prevention programs	876,853	-	876,853
Training	150,545	-	150,545
Total program services	2,069,164	-	2,069,164
Management and general	284,443	-	284,443
Fundraising	90,742	-	90,742
Total supporting services	375,185	-	375,185
Total expenses	2,444,348	-	2,444,348
Change in net assets from operating activities	278,410	(342,423)	(64,013)
Non-operating activities:			
Return on investments (net)	(170)	-	(170)
Dividends & interest	16,682	-	16,682
Change in net assets from non-operating activities	16,512	-	16,512
Change in net assets	294,922	(342,423)	(47,501)
Restatement (noted 19)	-	800,000	800,000
Net assets, beginning of year	783,610	1,020,452	1,804,062
Net assets, end of year	\$ 1,078,531	\$ 1,478,029	\$ 2,556,561

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, 2021 and 2020

	2021	2020
Operating activities		
Change in net assets	\$ 321,069	\$ 752,499
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Loan forgiveness	(114,000)	-
Depreciation expense	7,171	4,799
(Gains) losses on beneficial interest in assets held by others	(20,200)	(527)
Changes in operating assets and liabilities:		
Grants and contracts receivable, net	463,323	(902,140)
Accounts receivable	5,159	(5,930)
Prepaid expenses	(2,585)	(701)
Accounts payable	(3,375)	(30,890)
Credit cards payable	3,458	(6,284)
Accrued paid time off	(5,541)	4,793
Lease liability	(3,370)	(1,735)
Deferred revenue	(41,067)	(12,055)
Refundable advance	-	40,000
Net cash provided (used) by operating activities	<u>610,042</u>	<u>(158,171)</u>
Cash flows from investing activities		
Cash paid for purchases of fixed assets	(2,032)	(12,211)
Donated securities	(25,377)	(7,055)
Purchase of investments	(1,946)	(1,445)
Net cash used by investing activities	<u>(29,355)</u>	<u>(20,711)</u>
Cash flows from financing activities		
Principal payments on capital leases	-	(1,039)
Advances on note payable	-	114,000
Net cash (used) provided by financing activities	<u>-</u>	<u>112,961</u>
Net increase (decrease) in cash and cash equivalents	580,687	(65,921)
Cash and cash equivalents, beginning of year	1,687,137	1,753,058
Cash and cash equivalents, end of year	<u>\$ 2,267,824</u>	<u>\$ 1,687,137</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, 2021

	Program Services				Support Services			
	Public Education	Prevention Programs	Training	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Salaries	\$ 640,154	\$ 115,473	\$ 634,658	\$ 1,390,285	\$125,104	\$93,366	\$218,470	\$ 1,608,755
Fringe benefits and payroll taxes	126,354	25,552	125,109	277,015	29,179	15,656	44,835	321,850
Professional development	10,795	696	2,693	14,184	1,008	325	1,333	15,517
Travel	93	-	17	110	-	82	82	192
Telephone/internet	606	112	599	1,317	114	86	200	1,517
Copier	1,617	316	1,606	3,539	310	234	544	4,083
Postage	1,474	3,260	976	5,710	508	1,670	2,178	7,888
Supplies	1,361	632	1,678	3,671	833	148	981	4,652
Printing and reproduction costs	-	-	-	-	906	1,937	2,843	2,843
Conference and training expenses	9,368	71,816	11,200	92,384	-	-	-	92,384
Education/Public awareness	31,949	4,272	-	36,221	767	209	976	37,197
Special events expenses	364	-	-	364	-	4,214	4,214	4,578
Occupancy expense	25,783	3,880	25,571	55,234	1,638	3,816	5,454	60,688
Maintenance	11,906	6,236	16,044	34,186	2,986	2,899	5,885	40,071
Equipment	2,717	10	5,351	8,078	-	-	-	8,078
Accounting and audit	-	4,685	-	4,685	18,348	-	18,348	23,033
Fees and service charges	-	96	-	96	6,602	4,393	10,995	11,091
Consultants	85,281	6,368	74,625	166,274	3,300	810	4,110	170,384
Outside services	-	455	-	455	-	-	-	455
Depreciation	-	6,257	-	6,257	527	387	914	7,171
Totals	\$ 949,822	\$ 250,116	\$ 900,127	\$ 2,100,065	\$ 192,130	\$ 130,232	\$ 322,362	\$2,422,427

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, 2020

	Support Services							Total Expenses
	Public Education	Prevention Programs	Training	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 435,886	\$ 621,902	\$ 71,704	\$ 1,129,492	\$ 201,215	\$ 58,340	\$ 259,555	\$1,389,047
Fringe benefits and payroll taxes	91,066	126,044	22,083	239,193	35,778	10,812	46,590	285,783
Professional development	1,502	11,187	1,211	13,900	1,774	356	2,130	16,030
Travel	18,873	14,109	4,269	37,251	1,556	1,303	2,859	40,109
Telephone/internet	1,395	1,837	245	3,477	613	201	814	4,291
Copier	660	924	126	1,710	196	101	298	2,008
Postage	1,049	1,439	5,888	8,376	193	1,621	1,814	10,189
Printing and reproduction costs	916	-	-	916	1,231	3,641	4,872	5,787
Advertising	14,778	19,299	16,979	51,056	69	-	69	51,124
Conference and training expenses	411,610	-	9,516	421,126	2,958	1,566	4,524	425,650
Education/Public awareness	-	-	-	-	-	4,761	4,761	4,761
Occupancy expense	5,788	7,990	5,076	18,854	1,908	1,636	3,545	22,399
Maintenance	774	573	-	1,347	88	103	191	1,539
Equipment	131	190	24	345	33	22	55	400
Accounting and audit	-	-	4,221	4,221	10,994	-	10,994	15,216
Fees and service charges	-	-	99	99	5,802	1,211	7,013	7,112
Consultants	37,872	43,414	71	81,357	6,919	1,574	8,493	89,850
Miscellaneous	-	-	-	-	3	-	3	3
Outside services	-	-	1,929	1,929	270	-	270	2,199
Depreciation	61	648	2,648	3,357	1,179	263	1,442	4,799
Totals	\$1,041,766	\$876,853	\$150,545	\$2,069,164	\$ 284,443	\$ 90,742	\$375,185	\$2,444,348

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

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 – The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and board of directors.

Net assets with donor restrictions – Net assets subject to grantor and donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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

Revenue recognition - The Organization follows ASC Topic 985-605, *Revenue Recognition*. In accordance with ASC 985-605, contributions received are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with 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. Contributions received with donor restrictions that are met in the same reporting period are reported as unrestricted net assets.

Contract revenue – The Organization recognizes contract revenue for reimbursements of program services when the performance obligations of providing the services are met (i.e. developing child prevention action plans). Membership dues, which are nonrefundable, are recognized ratably over the membership period because the benefits to members are consistent throughout the year. Payments are required at the start of the membership period; amounts received in advance are deferred to the applicable period. Consequently, at June 30, 2021, membership dues of \$2,523 have not been recognized in the statement of activities because the condition on which they depend have not yet been met.

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

New accounting pronouncements – Accounting Standards Update (ASU) 2014-09 (Topic 606), *Revenue from Contracts with Customers*, was originally effective for fiscal years beginning after December 15, 2018. In May 2020, the FASB issued ASU 2020-05, extending the implementation date by one year to years beginning after December 15, 2019. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU requires (1) identification of contracts with customers, (2) identification of performance obligations, (3) determination of transaction price, (4) allocation of transaction price to performance obligations, and (5) recognition of revenue when/as performance obligations are satisfied. There was no impact on grant or contract revenue after the adoption of this accounting standard.

Accounting pronouncements not yet effective - ASU 2016-02, Leases (Topic 842) is effective for periods beginning after December 15, 2022. This ASU requires lessees to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statements. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of the adoption of the accounting policy on the financial statements.

Measure of operations – The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization’s ongoing services. Non-operating activities are limited to resources that generate return from investments and other activities consider to be of a more unusual or nonrecurring nature.

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, 2021 and 2020 is \$0 and \$0, respectively.

Grants and contributions receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Conditional promises to give are not included as support until the conditions are met.

Property and equipment – Purchases of furniture and equipment are recorded at cost. It is the Organization’s policy that equipment expenditures less than \$500 are expensed. Donated capital assets are recorded at their estimated fair value at the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from three to seven years.

Beneficial interest in assets held by others – The Organization’s beneficial interest in an agency endowment fund with the North Carolina Community Foundation (the “Foundation”) is recognized as an asset. The endowment, including all investment income, capital gains and subsequent contributions are the Foundation’s property.

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

As provided by the Foundation’s current policies and procedures, an annual distribution is available to the Organization. The amount available for distribution at June 30, 2021 and 2020 is \$2,910 and \$2,520, respectively. While the stated intention of the agreement is for the principal to remain undistributed, the principal may be distributed at the Foundation’s discretion.

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.

Fair value measurement – FASB ASC 820-10, *Fair Value Measurements and Disclosures*, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1: Quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, or
- Level 3: Unobservable inputs that are supported by little or no market activity and that reflect the Organization’s own assumptions about market prices.

Functional expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021 and 2020

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

The expenses that are allocated include the following:

Expense	Allocation method
Salaries and benefits	Full Time Equivalent ("FTE")
Telephone and internet	FTE
Equipment rent	FTE
Occupancy	FTE
Maintenance	FTE
Other	FTE

Reclassifications – Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year’s format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 2 – Cash and cash equivalents

The Organization’s cash consists of cash on deposit with banks. 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, 2021 and 2020:

	2021	2020
Checking	\$ 1,533,980	\$ 1,684,524
Money market	729,144	-
Savings	13	13
Undeposited funds	583	2,600
Total	\$ 2,267,824	\$ 1,687,137

PREVENT CHILD ABUSE, NORTH CAROLINA INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

Note 3 – Availability and liquidity

The following represents the Organization’s financial assets at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$2,267,824	\$ 1,687,137
Beneficial interest in assets held by others	106,804	59,281
Accounts and grants receivable	563,008	243,340
Prepaid expenses	18,372	15,787
Security deposits	<u>5,583</u>	<u>5,583</u>
Total financial assets	2,961,591	2,011,128
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,647,987	1,478,029
Less: Net assets with purpose restrictions to be met in less than a year	(361,184)	(188,000)
Beneficial interest in assets held by others	106,804	59,281
Security deposits	<u>5,583</u>	<u>5,583</u>
Total amount not available to be used in one year	<u>1,399,190</u>	<u>1,354,893</u>
Financial assets available to meet general expenditures over the next twelve months.	<u><u>\$1,562,401</u></u>	<u><u>\$ 656,235</u></u>

The Organization’s goal in general is to maintain financial assets to meet 90-120 days of operating expenses (approximately \$550,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. The Organization has a \$75,000 line of credit available to meet cash flow needs.

Note 4 – Grants and contracts receivable

At June 30, 2021 and 2020, the Organization is due the following amounts:

	<u>2021</u>	<u>2020</u>
Contracts receivable	\$ 78,670	\$ 222,243
Grants receivable	<u>476,000</u>	<u>795,750</u>
	<u><u>\$ 554,670</u></u>	<u><u>\$ 1,017,993</u></u>

All amounts are due in less than one year.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021 and 2020

Note 5 – Beneficial interest in assets held by others

The Organization’s investments consist of a beneficial interest in assets held by others valued at \$106,804 and \$59,281 and classified in Level 3 of the fair value hierarchy based on the value reported by the North Carolina Community Foundation as of June 30, 2021 and 2020, respectively.

The following table provides a summary of changes in the fair value of the Organization’s Level 3 financial assets for the years ended June 30, 2021 and 2020:

Balance as of July 1, 2019	\$	50,254
Contribution		7,055
Dividends and interest		1,445
Net realized and unrealized gains (losses)		548
Fees		(21)
Balance as of June 30, 2020		<u>59,281</u>
Contributions		25,377
Interest & dividends		1,946
Realized and unrealized gains(losses)		21,108
Fees		(908)
Balance as of June 30, 2021	\$	<u><u>106,804</u></u>

Note 6 – Property and equipment, net

Property and equipment consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture	\$ 3,682	\$ 11,613
Equipment	<u>30,907</u>	<u>74,214</u>
Total property and equipment	34,589	85,827
Less accumulated depreciation	<u>(20,516)</u>	<u>(66,615)</u>
Property and equipment, net	<u><u>\$ 14,073</u></u>	<u><u>\$ 19,212</u></u>

The Organization recognized depreciation expense of \$7,171 and \$4,799 for the years ended June 30, 2021 and 2020, respectively.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021 and 2020

Note 7 – Net assets with donor restrictions

The following donor restricted net assets are available for prevention programs at June 30, as indicated:

	<u>2021</u>	<u>2020</u>
Strengthening Families and Caring Connections	\$ 541,073	\$ 500,640
Evidence based program support	914,730	950,207
Wake and Durham County Implementation support	-	17,341
Community Child Abuse Prevention Program	-	9,841
CRM software infrastructure and challenge grant	67,000	-
Landscape Analysis - Primary Prevention	125,184	-
	<u>\$ 1,647,987</u>	<u>\$ 1,478,029</u>

Note 8 – Net assets released from donor restrictions

During the years ended June 30, 2021 and 2020, donor restricted net assets were released due to satisfaction of the following purpose restrictions.

	<u>2021</u>	<u>2020</u>
Strengthening Families and Caring Connections	\$ 83,567	\$ 402,778
Community Child Abuse Prevention Program	9,841	31,605
Evidence based program support	835,477	714,885
Wake and Durham County Implementation support	17,341	-
Landscape Analysis - Primary Prevention	27,550	-
	<u>\$ 973,776</u>	<u>\$ 1,149,268</u>

Note 9 – Contract liabilities

The Organization records as contract liabilities, payments received in advance of delivery of the related services. At June 30, 2021 and 2020, contract liabilities consists of:

	<u>2021</u>	<u>2020</u>
Membership dues	\$ 2,523	\$ 3,560
Five Factors 5K	-	40,030
	<u>\$ 2,523</u>	<u>\$ 43,590</u>

The organization recognizes contributions with conditions to be met in a future period as refundable advances. At June 30, 2021 and 2020, refundable advances consisted of \$0 and \$40,000 received for expenses related to a conference held in the year ending June 30, 2021. There were no unexpended funds for the conference to be returned to the contributors.

NOTES TO THE FINANCIAL STATEMENTSJune 30, 2021 and 2020

Note 10 – Notes payable

On May 4, 2020, the Organization received loan proceeds in the amount of \$114,000 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after then end of the covered period. The Organization received loan forgiveness in the amount of \$114,000. The Organization recognized loan forgiveness as non-operating revenue in the Statement of Activities and a noncash operating transaction in the Statement of Cash Flows.

Note 11 – 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 \$1,567,187 and \$948,434 at June 30, 2021 and 2020, respectively. The Organization has not experienced, nor does it expect to experience, any losses with respect to such accounts.

During the year ended June 30, 2021, 83% of grant and contract revenue was received from two funders and 94% of grant and contract receivables are from one funder. During the year ended June 30, 2020, 86% of grant and contract revenue was received from two funders and 86% of grant and contract receivables are from one funder.

Note 12 – Operating leases

The Organization entered into a lease for new office space effective October 29, 2018 with a commencement date of December 1, 2018. The lease requires 65 monthly payments of base rent starting at \$4,875 per month. The lease provides for escalation of rents according to a set schedule and also waives the initial five months of rent in consideration of good and faithful observance of the Organization’s responsibilities under the lease.

In addition, the Organization leases certain equipment under leases which expire at various times through 2022. Rent expense under the office and equipment leases was approximately \$57,223 and \$50,618 for the years ending June 30, 2021 and 2020, respectively.

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, 2021:

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021 and 2020

Note 12 – Operating leases (continued)

Year ended June 30,	Amount
2022	\$ 63,519
2023	64,483
2024	55,088
	\$ 183,090

Note 13 – Capital lease

The Organization is the lessee of office equipment under a capital lease expiring in 2022. The asset and liability under the capital lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated useful life. Amortization of the asset under the capital lease is included in depreciation expense for fiscal year 2021.

Property held under the capital lease is as follows:

Equipment	\$ 5,293
Accumulated amortization	(3,528)
	\$ 1,765

Minimum future lease payments under the capital lease as of June 30, 2020 were as follows:

Year ended June 30,	Amount
2022	1,498
2023	1,200
Total	2,698
Amounts representing interest	(323)
Present value of net minimum lease payments	\$ 2,375

Note 14 – Description of program services

Prevention Programs – Administer the Incredible Years, Strengthening Families Program 6-11, Circle of Parents and 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.

Note 14 – Description of program services (continued)

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 15 – 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 16 – 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, 2021 and 2020 were \$61,416 and \$50,508, respectively.

Note 17 – 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 \$54,484 and \$59,130 as of June 30, 2021 and 2020, respectively.

Note 18 - Line of credit

The Organization maintains a line of credit with Townebank of \$75,000 which is unsecured. Advances under this agreement require interest payments monthly at the one month London Interbank Offered Rate (LIBOR) plus 2% with a floor of 4.5%. Any outstanding balances, including interest and principal paid are due April 2, 2022. At June 30, 2021 and 2020, there was no outstanding balance on the line of credit.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021 and 2020

Note 19 – Restatement

During 2021, the Organization noted that error in reporting grant revenue resulted in an understatement of net assets as of July 1, 2019. A prior period restatement of \$800,000 was needed to correctly report net assets as of July 1, 2019.

The following accounts were affected:

	<u>Previously stated</u>	<u>Corrected</u>	<u>Restatement</u>
Grants	\$ 1,280,589	\$ 1,268,739	\$ (11,850)
Grants receivable	229,843	1,017,993	788,150
Net assets, as of July 1, 2019	1,804,062	2,604,062	(800,000)

Note 20 – Subsequent events

The Organization has evaluated subsequent events occurring after June 30, 2021 through January 4, 2022, which is the date the financial statements were available to be issued.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
SCHEDULE OF AUDIT FINDINGS
June 30, 2021

Finding 2021-01: Financial Reporting

Criteria: An effective system of internal controls contemplates an adequate system for recording and processing entries material to the financial statements.

Condition: During the course of our audit, we proposed material audit adjustments that would not have been identified as a result of the Organization's existing internal controls, and therefore could have resulted in a material misstatement of the Organization's consolidated financial statements.

Cause: The Organization's internal controls over financial reporting are designed to facilitate grant reporting and were not properly designed to prevent or detect material misstatements in consolidated financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Recommendation: The Organization should develop a year-end checklist with standardized procedures and instructions to ensure all necessary adjustments and disclosures are made to the for year-end reporting. The Organization should also consider developing an accounting manual and providing additional training on grant and contract revenue recognition.

Management's Response: We recognize that revenue recognition for not for profits is complex. We will obtain more targeted training on the topic and use consultants as necessary to support management with these complex matters.