

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

**Audited Financial Statements**

Years Ended June 30, 2022 and 2021



PREVENT CHILD ABUSE, NORTH CAROLINA INC.

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Years Ended June 30, 2022 and 2021

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Fayetteville Road Office Park  
6114 Fayetteville Road, Suite 101  
Durham, North Carolina 27713

919/ 544-0555 Phone  
919/ 544-0556 Fax  
866/ 956-5544 Toll Free

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 Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Prevent Child Abuse, North Carolina Inc. (the "Organization", a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2023, on our consideration of 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 solely 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 effectiveness of Organization's 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 Organization's internal control over financial reporting and compliance.

*Thomas S. Gilbo CA, PCC*

Durham, North Carolina  
January 23, 2023

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2022 and 2021

	2022	2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents (note 2)	\$ 2,270,005	\$ 2,267,824
Grants and contracts receivable (note 4)	271,642	554,670
Accounts receivable	1,961	8,338
Prepaid expenses	33,378	18,372
Total current assets	<u>2,576,986</u>	<u>2,849,204</u>
Non current assets		
Beneficial interest in assets		
held by others (note 5)	96,101	106,804
Security deposit	5,583	5,583
Property and equipment, net (note 6)	17,179	14,073
Total non current assets	<u>118,863</u>	<u>126,460</u>
Total assets	<u>\$ 2,695,849</u>	<u>\$ 2,975,664</u>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 75,370	\$ 13,316
Credit cards payable	5,117	7,423
Accrued paid time off (note 16)	43,916	53,589
Contract liabilities (note 9)	3,363	2,523
Capital lease (note 12)	297	2,375
Deferred rent - current portion	6,773	5,134
Total current liabilities	<u>134,836</u>	<u>84,360</u>
Non-current liabilities		
Deferred rent	6,997	13,675
Total non-current liabilities	<u>6,997</u>	<u>13,675</u>
Total liabilities	141,833	98,035
Net assets		
Without donor restrictions	807,465	944,014
With donor restrictions (note 7)	1,746,551	1,933,615
Total net assets	<u>2,554,016</u>	<u>2,877,629</u>
Total liabilities and net assets	<u>\$ 2,695,849</u>	<u>\$ 2,975,664</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating activities:</b>			
<b>Support and revenue</b>			
Contributions	\$ 254,020	\$ -	\$ 254,020
Conference and training	6,158	-	6,158
Contracts	741,518	-	741,518
Grants	115,000	947,364	1,062,364
Membership dues	105,548	-	105,548
Other income	11,197	-	11,197
Total revenue	<u>1,233,441</u>	<u>947,364</u>	<u>2,180,805</u>
Net assets released from donor restrictions (note 8)	<u>1,134,428</u>	<u>(1,134,428)</u>	<u>-</u>
Total support and revenues	<u>2,367,869</u>	<u>(187,064)</u>	<u>2,180,805</u>
<b>Expenses</b>			
Program services			
Public education	1,060,929	-	1,060,929
Prevention programs	892,886	-	892,886
Training	183,526	-	183,526
Total program services	<u>2,137,341</u>	<u>-</u>	<u>2,137,341</u>
Support services			
Management and general	232,566	-	232,566
Fundraising	120,603	-	120,603
Total supporting services	<u>120,603</u>	<u>-</u>	<u>120,603</u>
Total expenses	<u>2,490,510</u>	<u>-</u>	<u>2,490,510</u>
Change in net assets from operating activities	(122,641)	(187,064)	(309,705)
<b>Non-operating activities:</b>			
Return on investments (net)	(17,309)	-	(17,309)
Dividends & interest	3,401	-	3,401
Change in net assets from non-operating activities	<u>(13,908)</u>	<u>-</u>	<u>(13,908)</u>
Change in net assets	(136,549)	(187,064)	(323,613)
Net assets, beginning of year	944,014	1,933,615	2,877,629
Net assets, end of year	<u>\$ 807,465</u>	<u>\$ 1,746,551</u>	<u>\$ 2,554,016</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
<b>Operating activities:</b>			
<b>Support and revenue</b>			
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	-	1,432,284	1,432,284
Membership dues	99,652	-	99,652
Other income	19,363	-	19,363
Total revenue	1,173,492	1,432,284	2,605,776
Net assets released from donor restrictions (note 8)	1,271,749	(1,271,749)	-
Total support and revenues	2,445,241	160,535	2,605,776
<b>Expenses</b>			
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
Support services			
Management and general	192,130	-	192,130
Fundraising	130,232	-	130,232
Total supporting services	130,232	-	130,232
Total expenses	2,422,427	-	2,422,427
Change in net assets from operating activities	22,814	160,535	183,349
<b>Non-operating activities:</b>			
Return on investments (net)	21,108	-	21,108
Dividends & interest	2,612	-	2,612
Loan forgiveness (note 13)	114,000	-	114,000
Change in net assets from non-operating activities	137,720	-	137,720
Change in net assets	160,534	160,535	321,069
Net assets, beginning of year	783,480	1,773,080	2,556,560
Net assets, end of year	<u>\$ 944,014</u>	<u>\$ 1,933,615</u>	<u>\$ 2,877,629</u>

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

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**STATEMENT OF CASH FLOWS**  
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Operating activities</b>		
Change in net assets	\$ (323,613)	\$ 321,069
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	10,965	7,171
Donated securities	-	(25,377)
Loan forgiveness	-	(114,000)
(Gains) losses on beneficial interest in assets held by others	17,309	(20,200)
Changes in operating assets and liabilities:		
Grants and contracts receivable, net	283,028	463,323
Accounts receivable	6,377	5,159
Prepaid expenses	(15,006)	(2,585)
Accounts payable	62,054	(3,375)
Credit cards payable	(2,306)	3,458
Accrued paid time off	(9,673)	(5,541)
Lease liability	(5,039)	(3,370)
Deferred revenue	840	(41,067)
Net cash provided (used) by operating activities	<u>24,936</u>	<u>584,665</u>
 Cash flows from investing activities		
Cash paid for purchases of fixed assets	(14,071)	(2,032)
Purchase of investments	(6,606)	(1,946)
Net cash used by investing activities	<u>(20,677)</u>	<u>(3,978)</u>
 Cash flows from financing activities		
Principal payments on capital leases	(2,078)	-
Net cash (used) provided by financing activities	<u>(2,078)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	2,181	580,687
Cash and cash equivalents, beginning of year	<u>2,267,824</u>	<u>1,687,137</u>
Cash and cash equivalents, end of year	<u>\$ 2,270,005</u>	<u>\$ 2,267,824</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, 2022

	Program Services			Total Program Services	Support Services			Total Expenses
	Public Education	Prevention Programs	Training		Management and General	Fundraising	Total Support Services	
Salaries	\$ 741,089	\$617,355	\$ 69,473	\$ 1,427,918	\$ 153,989	\$ 82,640	\$ 236,629	\$ 1,664,547
Fringe benefits and payroll taxes	151,792	123,363	4,126	279,281	32,970	13,528	46,498	325,780
Professional development	1,981	1,497	7,277	10,756	1,962	543	2,505	13,261
Travel	98	-	97	195	-	215	215	410
Telephone/internet	2,013	1,538	14,015	17,566	390	206	597	18,162
Copier	310	255	29	594	-	91	91	686
Postage	1,263	1,043	1,994	4,300	389	1,170	1,559	5,859
Supplies	1,145	1,007	907	3,059	1,280	63	1,343	4,402
Printing and reproduction costs	-	-	-	-	1,092	2,099	3,191	3,191
Conference and training expenses	14,539	5,848	7,001	27,388	-	-	-	27,388
Education/Public awareness	16,981	-	7,277	24,258	1,266	609	1,875	26,132
Donor Cultivation Efforts	-	-	-	-	-	261	261	261
Occupancy expense	29,674	24,517	2,799	56,990	1,320	3,476	4,796	61,786
Maintenance	14,427	15,121	5,456	35,004	5,975	3,045	9,020	44,024
Equipment	-	-	1,519	1,519	7,080	532	7,612	9,131
Accounting and audit	-	-	5,560	5,560	8,464	-	8,464	14,024
Fees and service charges	-	-	96	96	5,650	6,560	12,209	12,306
Consultants	69,989	101,342	1,783	173,114	9,149	4,853	14,001	187,115
Outside services	11,345	-	44,318	55,663	847	-	847	56,510
Interest	-	-	-	-	48	-	48	48
Bad debt and other expenses	4,282	-	27	4,309	-	213	213	4,522
Depreciation	-	-	9,771	9,771	695	499	1,194	10,965
<b>Totals</b>	<b>\$1,060,929</b>	<b>\$892,886</b>	<b>\$183,526</b>	<b>\$ 2,137,341</b>	<b>\$ 232,566</b>	<b>\$120,603</b>	<b>\$ 353,169</b>	<b>\$ 2,490,510</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, 2021

	Program Services				Support Services			Total Expenses
	Public Education	Prevention Programs	Training	Total Program Services	Management and General	Fundraising	Total Support Services	
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
<b>Totals</b>	<b>\$ 949,822</b>	<b>\$ 250,116</b>	<b>\$ 900,127</b>	<b>\$ 2,100,065</b>	<b>\$ 192,130</b>	<b>\$ 130,232</b>	<b>\$ 322,362</b>	<b>\$ 2,422,427</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, 2022 and 2021

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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** – 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, 2022, 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.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

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

**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, 2022 and 2021 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.

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, 2022 and 2021 is \$3,750 and \$2,910, 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.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

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

**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.

The expenses that are allocated include the following:

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

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

**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:

	2022	2021
Checking	\$ 1,538,175	\$ 1,533,980
Money market	731,349	729,144
Savings	13	13
Undeposited funds	468	583
Total	\$ 2,270,005	\$ 2,267,824

**Note 3 – Availability and liquidity**

The following represents the Organization’s financial assets at June 30:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 2,270,005	\$ 2,267,824
Beneficial interest in assets held by others	96,101	106,804
Accounts and grants receivable	273,603	563,008
Prepaid expenses	33,378	18,372
Security deposits	5,583	5,583
Total financial assets	2,678,670	2,961,591
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,746,551	1,933,615
Less: Net assets with purpose restrictions to be met in less than a year	(361,184)	(361,184)
Beneficial interest in assets held by others	96,101	106,804
Security deposits	5,583	5,583
Total amount not available to be used in one year	1,487,051	1,684,818
Financial assets available to meet general expenditures over the next twelve months.	\$ 1,191,619	\$ 1,276,773

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.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2022 and 2021

**Note 4 – Grants and contracts receivable**

The Organization is due the following amounts at June 30:

	<u>2022</u>	<u>2021</u>
Contracts receivable	\$ -	\$ 78,670
Grants receivable	271,642	476,000
	<u>\$ 271,642</u>	<u>\$ 554,670</u>

All amounts are due in less than one year.

**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 \$96,101 and \$106,804 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, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 106,804	\$ 59,281
Contribution	5,000	25,377
Dividends and interest	2,659	1,946
Net realized and unrealized gains (losses)	(17,309)	21,108
Fees	(1,053)	(908)
Ending balance	<u>\$ 96,101</u>	<u>\$ 106,804</u>

**Note 6 – Property and equipment, net**

Property and equipment consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture	\$ 3,682	\$ 3,682
Equipment	41,453	30,907
Total property and equipment	45,135	34,589
Less accumulated depreciation	(27,956)	(20,516)
Property and equipment, net	<u>\$ 17,179</u>	<u>\$ 14,073</u>

The Organization recognized depreciation expense of \$10,965 and \$7,171 for the years ended June 30, 2022 and 2021, respectively.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 7 – Net assets with donor restrictions**

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

	<u>2022</u>	<u>2021</u>
Strengthening Families and Caring Connections	\$ 527,833	\$ 717,074
Evidence based program support	924,095	932,344
Community Child Abuse Prevention Program	121,375	39,013
CRM software infrastructure and challenge grant	119,480	120,000
Landscape Analysis - Primary Prevention	53,768	125,184
	<u>\$1,746,551</u>	<u>\$1,933,615</u>

**Note 8 – Net assets released from donor restrictions**

During the years ended June 30, 2022 and 2021, donor restricted net assets were released due to satisfaction of the following purpose restrictions.

	<u>2022</u>	<u>2021</u>
Strengthening Families and Caring Connections	\$ 189,241	\$ 207,566
Community Child Abuse Prevention Program	70,003	201,429
Evidence based program support	803,248	817,863
Wake and Durham County Implementation support	-	17,341
CRM software infrastructure and challenge grant	520	-
Landscape Analysis - Primary Prevention	71,416	27,550
	<u>\$1,134,428</u>	<u>\$1,271,749</u>

**Note 9 – Contract liabilities**

The Organization records as contract liabilities, payments received in advance of delivery of the related services. At June 30, 2022 and 2021, contract liabilities consists of:

	<u>2022</u>	<u>2021</u>
Membership dues	\$ 3,363	\$ 2,523
	<u>\$ 3,363</u>	<u>\$ 2,523</u>

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
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**Note 10 – 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 \$1,548,424 and \$1,567,187 at June 30, 2022 and 2021, 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, 2022, 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, 2021, 83% of grant and contract revenue was received from two funders and 94% of grant and contract receivables are from one funder.

**Note 11 – 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, 2022 and 2021, 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, 2022:

<u>Year ended June 30,</u>	<u>Amount</u>
2023	\$ 64,483
2024	55,088
	<u>\$ 119,570</u>

**Note 12 – 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.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
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**Note 12 – Capital lease (continued)**

Property held under the capital lease is as follows:

Equipment	\$ 5,293
Accumulated amortization	<u>(5,292)</u>
	<u><u>\$ 1</u></u>

Minimum future lease payments under the capital lease as of June 30, 2022 were as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2023	\$ 301
Total	<u>301</u>
Amounts representing interest	<u>(4)</u>
Present value of net minimum lease payments	<u><u>\$ 297</u></u>

**Note 13 – Loan Forgiveness**

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 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.

**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,

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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, 2022 and 2021 were \$63,697 and \$61,416, 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 \$43,916 and \$53,589 as of June 30, 2022 and 2021, respectively.

**Note 18 – Prior period restatement**

During the year ended June 30, 2022, the Organization identified an error in the classifications of donor restricted net assets. Resulting in an understatement in the ending balance of donor restricted net assets and an overstatement in net assets without donor restrictions. Below is a summary of the impact of the correction:

	Net assets	Net Assets	
	Without Restrictions	With Donor Restrictions	Total
As previously reported	\$ 1,229,642	\$ 1,647,987	\$ 2,877,629
Correction of error	(285,628)	285,628	-
As restated	\$ 944,014	\$ 1,933,615	\$ 2,877,629

PREVENT CHILD ABUSE, NORTH CAROLINA INC.  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2022 and 2021

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**Note 19 – Subsequent events**

The Organization has evaluated subsequent events occurring after June 30, 2022 through January 23, 2023, which is the date the financial statements were available to be issued.

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

**Compliance Section**

Year Ended June 30, 2022



Fayetteville Road Office Park  
6114 Fayetteville Road, Suite 101  
Durham, North Carolina 27713

919/ 544-0555 Phone  
919/ 544-0556 Fax  
866/ 956-5544 Toll Free

Certified Public Accountants  
and Consultants

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 Directors  
Prevent Child Abuse, North Carolina Inc.  
Raleigh, North Carolina

We have audited, in accordance with the 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 the financial statements of Prevent Child Abuse, North Carolina Inc. (the “Organization”, a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of Organization’s internal control.

*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 a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Organization's financial statements are free from 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 financial statements. 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*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*James S. Gibbs* **CAE, FCC**

Durham, North Carolina  
January 23, 2023



Fayetteville Road Office Park  
6114 Fayetteville Road, Suite 101  
Durham, North Carolina 27713

919/ 544-0555 Phone  
919/ 544-0556 Fax  
866/ 956-5544 Toll Free

Certified Public Accountants  
and Consultants

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

We have audited the financial statements of Prevent Child Abuse, North Carolina Inc. (the “Organization”) for the year ended June 30, 2022, and have issued our report thereon dated January 23, 2023 . Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. The Organization implemented Accounting Standards Update (ASU) 2014-09 (Topic 606), Revenue from Contracts with Customers. The application of existing policies was not changed during the year ended June 30, 2022. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management’s estimate of useful lives concerning fixed assets based on the Organization’s experience with related assets and industry norms.

Management’s allocation of expenses by function based on estimates of time and effort.

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

### *Corrected misstatements – audit adjustments*

Professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization’s financial reporting process (that is, cause future financial statements to be materially misstated).

There were no audit adjustments made to the original trial balance presented to us to begin our audit. The audit adjustment for the year ended June 30, 2022.

### *Uncorrected misstatements – passed audit adjustments*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There were no uncorrected misstatements (passed adjustments) for the year ended June 30, 2022.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated January 23, 2023.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues** We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Closing**

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to be of service to Prevent Child Abuse, North Carolina Inc.

\* \* \* \* \*

This information is intended solely for the use of the Board of Directors of Prevent Child Abuse, North Carolina Inc. and others within management and is not intended to be, and should not be, used by anyone other than these specified parties.

*Thomas S. Gilbo CAE, FCC*

Durham, North Carolina  
January 23, 2023