AUDITED FINANCIAL STATEMENTS

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2016

CONTENTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Pat's Place Child Advocacy Center, Inc.
Charlotte, North Carolina

We have audited the accompanying statements of Pat's Place Child Advocacy Center, Inc. (the "Center"), which compromise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year 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 audit. 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2016, 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.

Report on Summarized Comparative Information

We have previously audited Pat's Place Child Advocacy Center, Inc.'s 2015 financial statements, and our report dated October 9, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2016, on our consideration of Pat's Place Child Advocacy Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pat's Place Child Advocacy Center Inc.'s internal control over financial reporting and compliance.

November 29, 2016

J. Ronald Martin, P.A.

STATEMENT OF FINANCIAL POSITION

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

June 30, 2016

	Unrestricted	Temporarily Restricted	Totals 2016	Comparative Totals 2015
ASSETS				
Cash and equivalents	$ 579,254	$ 189,925	$ 769,179	$ 905,789
Promises to give (less allowance for uncollectible amounts: $350 for 2016 and 2015)	143,485	20,000	163,485	131,849
Other receivables			-0-	494
Prepaid expenses and other	20,851		20,851	39,255
Equipment and improvements:				
Office Equipment	58,851		58,851	58,851
Furniture and fixtures	15,045		15,045	15,045
Leasehold improvements	83,870		83,870	79,045
	157,766	-0-	157,766	152,941
(Less) accumulated depreciation	(95,686)		(95,686)	(74,166)
	62,080	-0-	62,080	78,775
	$ 805,670	$ 209,925	$ 1,015,595	$ 1,156,162
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	$ 9,599	$ -0-	$ 9,599	$ 38,284
Accrued compensated absences	37,876		37,876	21,229
Other payroll liabilities	2,564		2,564	1,003
Rent discount	1,063		1,063	3,613
	51,102	-0-	51,102	64,129
Net assets	754,568	209,925	964,493	1,092,033
	$ 805,670	$ 209,925	$ 1,015,595	$ 1,156,162

See notes to financial statements.

STATEMENT OF ACTIVITIES

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Totals 2016	Comparative Totals 2015
SUPPORT AND REVENUE				
Contributions	$ 173,338	$ -0-	$ 173,338	$ 175,520
Mecklenburg County (contract)	100,000		100,000	100,000
Grants	498,474	38,500	536,974	404,377
Gifts in kind	295,733		295,733	169,599
Special event – B&B/Rhythm & Brews, less direct benefits to participants ($28,922 for 2016 and $13,072 for 2015)	122,526	151,425	273,951	258,076
Special events - other	82,973		82,973	162,602
	205,499	151,425	356,924	420,678
Sublease rental income	52,309		52,309	42,407
Interest income	330		330	177
Net assets released from restrictions:				
Satisfaction of time restrictions	181,110	(181,110)	-0-	-0-
TOTAL SUPPORT AND OTHER	1,506,793	8,815	1,515,608	1,312,758
EXPENSES				
Program Services:				
Child Advocacy	1,365,680		1,365,680	1,134,634
Supporting Services:				
Management and general	119,212		119,212	106,978
Fundraising	158,256		158,256	197,514
	277,468	-0-	277,468	304,492
TOTAL EXPENSES	1,643,148	-0-	1,643,148	1,439,126
CHANGE IN NET ASSETS	(136,355)	8,815	(127,540)	(126,368)
Net assets at beginning of year	890,923	201,110	1,092,033	1,218,401
NET ASSETS AT END OF YEAR	$ 754,568	$ 209,925	$ 964,493	$ 1,092,033

See notes to financial statements.

STATEMENT OF CASH FLOWS

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

Year Ended June 30, 2016

	Totals 2016	Comparative Totals 2015
OPERATING ACTIVITIES		
Change in net assets	$ (127,540)	$ (126,368)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	21,520	19,817
(Increase) in promises to give	(31,636)	(58,820)
Decrease (increase) in other receivables	494	(494)
Decrease (increase) in prepaid expenses and other	18,404	(21,011)
(Decrease) increase in accounts payable and accrued expenses	(28,685)	25,206
Increase (decrease) in accrued compensated absences	16,647	(6,873)
Increase (decrease) in other payroll liabilities	1,561	(1,903)
(Decrease) in rent discount	(2,550)	(2,550)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(131,785)	(172,996)
INVESTING ACTIVITIES		
(Purchases) of equipment and improvements	(4,825)	(7,085)
NET (DECREASE) INCREASE IN CASH	(136,610)	(180,081)
Cash and equivalents at beginning of year	905,789	1,085,870
CASH AND EQUIVALENTS AT END OF YEAR	$ 769,179	$ 905,789
Cash Summary:		
Unrestricted	579,254	734,679
Temporarily restricted	189,925	171,110
	$ 769,179	$ 905,789
SUPPLEMENTARY INFORMATION		
Income taxes paid	$ -0-	$ -0-
Interest paid	$ -0-	$ -0-

See notes to financial statements.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Organization Purpose: Pat's Place Child Advocacy Center, Inc. (The "Center") is a not-for-profit organization incorporated on August 20, 2004. The Center focuses the resources of public and private agencies in Mecklenburg County, North Carolina to achieve the best comprehensive outcome for abused children.

Financial Statement Presentation: The financial statements of the Center are prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial statement presentation conforms to the requirements of the Financial Accounting Standards Board Accounting Standards Codification ("FASB Codification"). Under the FASB Codification, the Center 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.

(a) **Unrestricted Net Assets** are from unrestricted contributions and income and are available for use as designated by the Board of Directors, including current operating expenses.

(b) **Temporarily Restricted Net Assets** are from contributions whose use is limited by donor imposed stipulations which are satisfied by actions of the Center or passage of time.

(c) **Permanently Restricted Net Assets** are from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be satisfied or removed by actions of the Center.

Recognition of Support, Revenues, and Capital Additions: In accordance with FASB Codification, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. 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, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted contributions recognized and utilized in the same accounting period are classified as unrestricted. Conditional contributions received are recognized as support when the conditions on which they depend have substantially been met.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Grants and Purchased Services: Grants are recognized as a receivable and support when promised. Contracts for purchased services and cost-reimbursement arrangements are recognized as a receivable and support when the services have been performed or the reimbursable costs have been incurred. The contract with Mecklenburg County is accounted for as a "cost-reimbursement" arrangement as management believes the agreement has more cost reimbursement attributes than grant attributes.

Contributions Receivable: Unconditional contributions receivable are recognized as support in the period received and as assets, decreases in liabilities, or as expenses, depending on the form of the benefits received. Conditional promises receivable are recognized when the conditions on which they depend are substantially met. Contributions receivable deemed to be unrealizable are reserved and/or written off, as appropriate.

Contributions receivable arising from unconditional promises to give that are expected to be collected within one year of the financial statement date are measured at fair value. The fair value of contributions arising from unconditional promises to give one year or more after the financial statement date, is determined based on present value, (the time value of money represented by a risk-free rate of interest) of the estimated future cash flows, using a risk-free rate of return.

Equipment and Improvements: Additions are recorded at cost, if purchased, and estimated fair value at the time of donation, if received as a gift. Minor renewals and replacements are expensed. When equipment and improvements are retired, their costs and related allowances for depreciation are removed from the accounts. Any gain or loss is recognized in the statement of activity at that time.

Depreciation is computed by the straight-line method over the estimated economic lives for the respective assets held which range as follows:

Computer software	3 years
Furniture and fixtures	5-10 years
Leasehold improvements	6 years

Donated Materials and Services: Donated materials and equipment, when significant, are reflected as contributions in the financial statements at estimated fair value at date of receipt. Donated services, when significant and measurable as to value, are reflected as contributions in the financial statements when provided.

Volunteers, including officers and directors of the Center, donate their time in program and administrative services and fund raising. However, no amounts have been reflected in the financial statements for these services they do not meet the criteria for recognition under FASB Codification.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrued Compensated Absences: The Center's accrual for compensated absences includes provision for the nonvesting right to receive holiday, vacation, and sick day benefits.

Functionalization of Expenses: Expenses not associated with a specific classification are allocated among the various classifications based upon the estimated time spent by the professional staff of the Center and other quantifiable factors. Certain jointly incurred costs are allocated to the various functional classifications based on management's estimate of how such costs were utilized.

Use of Estimates in Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the management to make reasonable estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and other items, and expenses during the reporting period. Actual results could differ from those estimates.

License to Solicit: The Center has a license, which must be renewed annually, to solicit charitable contributions in North Carolina from the North Carolina Department of Secretary of State.

Cash Equivalents: Funds invested on a daily basis in highly liquid instruments having immediate availability are considered cash equivalents for purposes of the statement of cash flows, which is presented on the indirect method.

Fund-raising: The Center hosts an annual Barbeque and Bluejeans event as its primary fund-raising activity. Fund-raising support received in advance represents a time-restricted contribution related to the September 2016 event. Indirect costs are allocated to fund-raising expenses using personnel and square footage ratios.

Fair Value Measurements: Generally accepted accounting principles ("GAAP") defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value, as defined under GAAP, is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The Center utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: **Level 1**, defined as observable inputs such as quoted prices in active markets; **Level 2**, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and **Level 3**, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions (see Note K).

NOTE B – INCOME TAXES

The Center is a North Carolina not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Center is subject to income tax on any unrelated business taxable income. However, the Center had no unrelated business income for the year ending June 30, 2016. Accordingly, no provision for income taxes is included in the financial statements.

The Center's income tax returns are not under examination by the Internal Revenue Service or the North Carolina Department of Revenue. The Center's income tax returns open to potential examination are June 30, 2016, 2015, and 2014. All other years have been closed by statute.

NOTE C – GRANTS AND PROMISES RECEIVABLE

Promises to give	$ 163,835
(Less) allowance for uncollectible amounts	(350)
	$ 168,485

NOTE D – ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS

Balance beginning of year	$ 350
Additions	-0-
(Reductions)	-0-
Balance at end of year	$ 350

NOTE E – COMPLIANCE SUPPLEMENT

The Center is the recipient of certain government grant funds which are required to be audited in accordance with *Government Auditing Standards* issued by the Comptroller of the United States of America. A separate compliance supplement report is issued for these government grant funds.

NOTE F – TEMPORARILY RESTRICTED NET ASSETS

	Year Ended June 30, 2016			
Program	Beginning of Year	(Utilized)	Additions	End of Year
Time restricted:				
Special event 2016	$ -0-	$ -0-	$ 151,425	$ 151,425
Special event 2015	171,110	(171,110)		-0-
Dickson Foundation	30,000	(10,000)		20,000
	201,110	(181,110)	151,425	171,425
Purpose restricted:				
Hope Chest Fund			15,000	15,000
Prevention & Education			8,500	8,500
Mental Health/Therapy Programs			15,000	15,000
	-0-	-0-	38,500	38,500
	$ 201,110	$ (181,110)	$ 189,925	$ 209,925

NOTE G – CONCENTRATIONS, RISKS AND UNCERTAINTIES

The Center places its cash with financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Center on occasion maintains cash balances with one institution in excess of the $250,000 insured limit.

The Center participates in state grant programs, the expenditures for which are subject to audit from the respective funding agencies and/or the NC Office of State Auditor. Upon examination, expenditures could be disallowed and refunds required. The Center has not been notified that any such audits are forthcoming, and is not aware of any expenditures for which such disallowances or refunds would be required by funding agencies.

NOTE H – LEASE COMMITMENT

The Center leases a facility for its programs and administrative offices under an agreement which expires November 30, 2021. Rental expense for the year ended June 30, 2016, was $115,015. Future minimum annual lease payments for this noncancelable operating lease are as follows:

Year Ending June 30,	
2017	$ 120,883
2018	124,388
2019	127,998
2020, and thereafter	190,047
	$ 563,316

NOTE H – LEASE COMMITMENT - CONTINUED

The Center subleases a portion of this office space through November 30, 2016, under a sublease agreement dated April 29, 2011. The sub-lease provides for a five-year renewal period through November 30, 2021, which, as of the date of this report, has not been exercised. Rental income for the year ended June 30, 2016, under such sublease totaled $52,309. Future minimum rental income for this sub-lease is as follows:

Year Ending June 30,	
2017	$ 20,090

NOTE I - RETIREMENT PLAN

The Center has a SIMPLE IRA plan covering any employee who has received at least $5,000 in compensation from the Center during any two preceding years and is expected to receive at least $5,000 in compensation in the current calendar year. Employees may make "elective deferrals" to the plan up to 100% of compensation up to the salary deferral contribution limit for the year ($11,500 for those under age 50 and $14,000 for those ages 50 and over). The Center is required to "match" employee elective deferrals up to 3% of compensation. Contribution expense for the year ended June 30, 2016, was $13,280.

NOTE J – PERMANENTLY RESTRICTED NET ASSETS

The Center has no permanently restricted net assets.

NOTE K – FAIR VALUE OF FINANCIAL MEASUREMENTS

FASB Codification defines fair value, establishes a framework for measuring fair value as generally accepted accounting principles ("GAAP"), and expands financial statement disclosures about fair value measurements for financial assets and liabilities.

Financial assets are cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right (1) to receive cash or another financial instrument from a second entity or (2) to exchange other financial instruments on potentially favorable terms with the second entity.

Financial liabilities are contracts that impose on one entity an obligation (1) to deliver cash or another financial instrument to a second entity or (2) to exchange other financial instruments on potentially unfavorable terms with the second entity.

NOTE K - FAIR VALUE OF FINANCIAL MEASUREMENTS - CONTINUED

Financial assets and liabilities:

The Center does not have any financial assets or liabilities measured on a recurring or nonrecurring basis for the year ended June 30, 2016.

Non-financial assets and liabilities:

The Center does not have any non-financial assets or liabilities measured on a recurring or nonrecurring basis for the year ended June 30, 2016.

NOTE L - CONTRIBUTED SERVICES AND GOODS

	Year Ending June 30, 2016		
	Resources	Capital	Expense
Medical services	$ 290,709	$ -0-	$ 290,709
Special event food and supplies	30,449		30,449
Other	5,024	4,825	199
	$ 326,182	$ 4,825	$ 321,357

NOTE M - SUBSEQUENT EVENTS

The Center has evaluated subsequent events from the date of the statement of financial position through the date of the independent auditors' report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.

NOTE N – FUNCTIONAL EXPENSES

A summary of expenses by functional classification is as follows:

		Supporting Services				Comparative
Expenses	Child Advocacy	Management and General	Fund Raising	Totals	Totals 2016	Totals 2015
Personnel	$ 832,703	$ 28,180	$ 95,913	$ 124,093	$ 956,796	$ 891,837
Occupancy	125,899	14,723	7,371	22,094	147,993	135,099
Office supplies, postage, and printing	41,883	1,574	5,355	6,929	48,812	54,523
Special event			73,059	73,059	73,059	42,815
Travel, meals, and entertainment	23,845	896	3,049	3,945	27,790	33,023
Dues and subscriptions	7,402	278	946	1,224	8,626	9,045
Professional services	4,471	65,321	214	65,535	70,006	50,653
Medical services	290,708			-0-	290,708	169,599
Program supplies	28,827			-0-	28,827	55,304
Other	9,942	8,240	1,271	9,511	19,453	10,300
	1,365,680	119,212	187,178	306,390	1,672,070	1,452,198
(Less) cost of direct benefits			(28,922)	(28,922)	(28,922)	(13,072)
	$ 1,365,680	$ 119,212	$ 158,256	$ 277,468	$ 1,643,148	$ 1,439,126
Comparative Totals						
2015	$ 1,134,634	$ 106,978	$ 197,514	$ 304,492	$ 1,439,126	

In the year ended June 30, 2016, $1,120,291 in expenses were allocated to Program (85.70%), Management and General (4.11%), and Fundraising (10.19%). In the year ended June 30, 2015, $947,768 in expenses were allocated to Program (78.85%), Management and General (7.43%), and Fundraising (13.72%).