AUDITED FINANCIAL STATEMENTS

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2018

CONTENTS

J. RONALD MARTIN, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

1850 EAST THIRD STREET, SUITE 305
CHARLOTTE, NORTH CAROLINA 28204
704/375-6405
FAX 704/375-5827

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. (a nonprofit organization), which compromise the statement of financial position as of June 30, 2018, 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 Pat's Place Child Advocacy Center, Inc. as of June 30, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 12, 2018, 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 effectiveness of Pat's Place Child Advocacy Center, Inc.'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 Pat's Place Child Advocacy Center Inc.'s internal control over financial reporting and compliance.

November 12, 2018

J Ronald Martin, P.A.

STATEMENT OF FINANCIAL POSITION

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

June 30, 2018

	Unrestricted	Temporarily Restricted	Totals 2018	Comparative Totals 2017
ASSETS				
Cash and equivalents	$ 795,117	$ 104,700	$ 899,817	$ 741,093
Promises to give (less allowance for uncollectible amounts: $350 for 2018 and 2017)	171,990	73,500	245,490	201,046
Prepaid expenses and other	25,542		25,542	20,063
Equipment and improvements:				
Office Equipment	92,598		92,598	70,798
Furniture and fixtures	21,057		21,057	21,057
Leasehold improvements	84,995		84,995	84,995
	198,650	-0-	198,650	176,850
(Less) accumulated depreciation	(133,933)		(133,933)	(116,097)
	64,717	-0-	64,717	60,753
	$ 1,057,366	$ 178,200	$ 1,235,566	$ 1,022,955
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	$ 19,823	$ -0	$ 19,823	$ 14,342
Accrued compensated absences	30,727		30,727	39,213
Other payroll liabilities	17,129		17,129	4,044
	67,679	-0-	67,679	57,599
Net assets	989,687	178,200	1,167,887	965,356
	$ 1,057,366	$ 178,200	$ 1,235,566	$ 1,022,955

See notes to financial statements.

STATEMENT OF ACTIVITIES

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Totals 2018	Comparative Totals 2017
SUPPORT AND REVENUE				
Contributions	$ 186,157	$ -0-	$ 186,157	$ 165,010
Mecklenburg County (contract)	100,000		100,000	100,000
Grants	965,329	55,000	1,020,329	744,425
Gifts in kind	326,128		326,128	332,323
Special event – B&B/Rhythm & Brews, less direct benefits to participants ($47,920 for 2018 and $45,543 for 2017)	204,908	123,200	328,108	328,276
Special events – third party	59,922		59,922	27,050
	264,830	123,200	388,030	355,326
Sublease rental income	50,656		50,656	49,181
Interest income	2,442		2,442	242
Net assets released from restrictions:				
Satisfaction of time restrictions	127,700	(127,700)	-0-	-0-
Satisfaction of purpose restrictions	47,500	(47,500)	-0-	-0-
	175,200	(175,200)	-0-	-0-
TOTAL SUPPORT AND OTHER	2,070,742	3,000	2,073,742	1,746,507
EXPENSES				
Program Services:				
Child Advocacy	1,549,062		1,549,062	1,419,222
Supporting Services:				
Management and general	80,829		80,829	83,605
Fundraising	241,320		241,320	242,817
	322,149	-0-	322,149	326,422
TOTAL EXPENSES	1,872,211	-0-	1,871,211	1,745,644
CHANGE IN NET ASSETS	199,531	3,000	202,531	863
Net assets at beginning of year	790,156	175,200	965,356	964,493
NET ASSETS AT END OF YEAR	$ 989,687	$ 178,200	$ 1,167,887	$ 965,356

See notes to financial statements.

STATEMENT OF CASH FLOWS

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

Year Ended June 30, 2018

	Totals 2018	Comparative Totals 2017
OPERATING ACTIVITIES		
Change in net assets	$ 202,531	$ 863
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation expense	17,836	20,411
Changes in operating assets and liabilities:		
Promises to give	(44,444)	(37,561)
Prepaid expenses and other	(5,479)	788
Accounts payable and accrued expenses	5,481	4,743
Accrued compensated absences	(8,486)	1,337
Other payroll liabilities	13,085	1,480
Rent discount	-0-	(1,063)
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	180,524	(9,002)
INVESTING ACTIVITIES		
(Purchases) of equipment and improvements	(21,800)	(19,084)
NET CHANGE IN CASH	158,724	(28,086)
Cash and equivalents at beginning of year	741,093	769,179
CASH AND EQUIVALENTS AT END OF YEAR	$ 899,817	$ 741,093
Cash Summary:		
Unrestricted	795,117	604,193
Temporarily restricted	104,700	136,900
	$ 899,817	$ 741,093
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, as 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 event occurring after year end. 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, 2018. 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, 2018, 2017, and 2016. All other years have been closed by statute.

NOTE C – GRANTS AND PROMISES RECEIVABLE

Promises to give	$ 245,840
(Less) allowance for uncollectible amounts	(350)
	$ 245,490

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

Program	Year Ended June 30, 2018 Beginning of Year	(Utilized)	Additions	End of Year
Time restricted:				
Special event 2017	$ 127,700	$ (127,700)	$ -0-	$ -0-
Special event 2018			123,200	123,200
Dickson Foundation			40,000	40,000
	127,700	(127,700)	163,200	163,200
Purpose restricted:				
Hope Chest Fund	15,000	(15,000)		-0-
Mental Health/Therapy Programs	15,000	(15,000)	15,000	15,000
Clinical Services Program	17,500	(17,500)		-0-
	47,500	(47,500)	15,000	15,000
	$ 175,200	$ (175,200)	$ 178,200	$ 178,200

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 - 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, 2018, was $25,674.

NOTE I – 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, 2018, was $122,379. Future minimum annual lease payments for this noncancelable operating lease agreement are as follows:

Year Ending June 30,	
2019	$ 125,979
2020	129,697
2021	133,526
2022	56,309
	$ 445,511

The Center subleases a portion of this office space through under an agreement which expires November 30, 2021. Rental income for the year ended June 30, 2018, under such sublease totaled $50,656. Anticipated future minimum rental income for this lease agreement is as follows:

Year Ending June 30,	
2019	$ 52,048
2020	53,410
2021	55,218
2022	23,290
	$ 183,966

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.

NOTE K - FAIR VALUE OF FINANCIAL MEASUREMENTS - CONTINUED

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.

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, 2018.

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, 2018.

NOTE L - CONTRIBUTED SERVICES AND GOODS

	Year Ending June 30, 2018		
	Resources	Capital	Expense
Medical services	$ 326,128	$ -0-	$ 326,128
Special event food and supplies	11,850		11,850
	$ 337,978	$ -0-	$ 337,978

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:

Expenses	Child Advocacy	Supporting Services: Management and General	Supporting Services: Fund Raising	Supporting Services: Totals	Totals 2018	Comparative Totals 2017
Personnel	$ 886,461	$ 19,346	$ 179,044	$ 198,390	$ 1,084,851	$ 1,017,392
Occupancy	130,203	15,228	7,624	22,852	153,055	156,463
Office supplies, postage, and printing	35,510	813	7,520	8,333	43,843	45,558
Special event			85,545	85,545	85,545	89,093
Travel, meals, and entertainment	22,984	526	4,868	5,394	28,378	19,308
Dues and subscriptions	8,164	187	1,729	1,916	10,080	11,334
Professional services	2,006	40,876	425	41,301	43,307	42,580
Medical services	326,128			-0-	326,128	332,323
Program supplies	125,872			-0-	125,872	59,062
Other	11,734	3,853	2,485	6,338	18,072	18,074
	1,549,062	80,829	289,240	370,069	1,919,131	1,791,187
(Less) cost of direct benefits			(47,920)	(47,920)	(47,920)	(45,543)
	$ 1,549,062	$ 80,829	$ 241,320	$ 322,149	$ 1,871,211	$ 1,745,644
Comparative Totals						
2017	$ 1,419,222	$ 83,605	$ 242,817	$ 326,422	$ 1,745,644	

In the year ended June 30, 2018, $1,295,439 in expenses were allocated to Program (81.47%), Management and General (2.81%), and Fundraising (15.72%). In the year ended June 30, 2017, $1,242,927 in expenses were allocated to Program (80.93%), Management and General (3.04%), and Fundraising (16.03.%).