

AUDITED FINANCIAL STATEMENTS
PAT'S PLACE CHILD ADVOCACY CENTER, INC.
CHARLOTTE, NORTH CAROLINA
JUNE 30, 2021

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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. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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.

Auditors' 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, 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.

Report on Summarized Comparative Information

We have previously audited Pat's Place Child Advocacy Center, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 December 16, 2021, 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 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.

December 16, 2021

J. Ronald Martin, P.A.

STATEMENT OF FINANCIAL POSITION

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals 2021</u>	<u>Comparative Totals 2020</u>
ASSETS				
Cash and equivalents	\$ 1,393,626	\$ 141,915	\$ 1,535,541	\$ 1,129,358
Promises to give (less allowance for uncollectible amounts: \$350 for 2021 and 2020)	467,450	8,000	475,450	331,928
Prepaid expenses and other	31,870		31,870	34,025
Equipment and improvements:				
Equipment	158,675		158,675	118,173
Furniture and fixtures	30,414		30,414	30,414
Leasehold improvements	<u>90,623</u>		<u>90,623</u>	<u>90,623</u>
	279,712	-0-	279,712	239,210
(Less) accumulated depreciation	<u>(204,715)</u>		<u>(204,715)</u>	<u>(176,927)</u>
	<u>74,997</u>	<u>-0-</u>	<u>74,997</u>	<u>62,283</u>
	<u>\$ 1,967,943</u>	<u>\$ 149,915</u>	<u>\$ 2,117,858</u>	<u>\$ 1,557,594</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 32,268	\$ -0-	\$ 32,268	\$ 9,870
Accrued compensated absences	32,644		32,644	32,315
Other payroll liabilities	30,269		30,269	3,807
Note Payable – Payroll Protection Program (see Note L)			-0-	236,200
	<u>95,181</u>	<u>-0-</u>	<u>95,181</u>	<u>282,192</u>
Net assets	<u>1,872,762</u>	<u>149,915</u>	<u>2,022,677</u>	<u>1,275,402</u>
	<u>\$ 1,967,943</u>	<u>\$ 149,915</u>	<u>\$ 2,117,858</u>	<u>\$ 1,557,594</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals 2021	Comparative Totals 2020
SUPPORT AND REVENUE				
Contributions	\$ 264,509	\$ -0-	\$ 264,509	\$ 175,288
Mecklenburg County (contract)	100,000		100,000	99,999
Grants – government	1,118,967		1,118,967	891,725
Grants – corporate and foundation	698,646	117,649	816,295	536,000
Gifts in kind	473,194		473,194	450,849
Special event – (less) direct benefits to participants \$10,917 for 2021 and \$69,824 for 2020)	126,495	32,266	158,761	192,318
Special events – in kind			-0-	46,295
Special events – third party	<u>3,879</u>		<u>3,879</u>	<u>33,204</u>
	130,374	32,266	162,640	271,817
Sublease rental income	76,538		76,538	70,345
Interest income	65		65	4,886
Other income	31,680		31,680	13,759
PPP loan forgiveness	236,200		236,200	-0-
Net assets released from donor restrictions	<u>78,200</u>	<u>(78,200)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL SUPPORT AND OTHER	3,208,373	71,715	3,280,088	2,514,668
EXPENSES				
Program Services:				
Child Advocacy	2,042,881	-0-	2,042,881	1,973,708
Supporting Services:				
Management and general	173,385		173,385	155,521
Fundraising	<u>316,547</u>		<u>316,547</u>	<u>280,229</u>
	<u>489,932</u>	<u>-0-</u>	<u>489,932</u>	<u>435,750</u>
TOTAL EXPENSES	<u>2,532,813</u>	<u>-0-</u>	<u>2,532,813</u>	<u>2,409,458</u>
CHANGE IN NET ASSETS	675,560	71,715	747,275	105,210
Net assets at beginning of year	<u>1,197,202</u>	<u>78,200</u>	<u>1,275,402</u>	<u>1,170,192</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,872,762</u>	<u>\$ 149,915</u>	<u>\$ 2,022,677</u>	<u>\$ 1,275,402</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

Year Ended June 30, 2021

	Totals 2021	Comparative Totals 2020
OPERATING ACTIVITIES		
Change in net assets	\$ 747,275	\$ 105,210
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation expense	27,788	23,196
Changes in operating assets and liabilities:		
Accounts receivable	(143,522)	(56,456)
Prepaid expenses	2,155	5,002
Accounts payable	22,398	(1,196)
Accrued compensated absences	329	(3,766)
Other payroll liabilities	<u>26,462</u>	<u>(7,550)</u>
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	682,885	64,440
INVESTING ACTIVITIES		
(Purchases) of equipment and improvements	(40,502)	(28,879)
FINANCING ACTIVITIES		
Proceeds from Payroll Protection Plan loan	-0-	236,200
Payroll Protection Plan debt forgiveness	<u>(236,200)</u>	<u>-0-</u>
NET CHANGE IN CASH FROM FINANCING ACTIVITIES	<u>(236,200)</u>	<u>236,200</u>
NET CHANGE IN CASH	406,183	271,761
Cash and equivalents at beginning of year	<u>1,129,358</u>	<u>857,597</u>
CASH AT END OF YEAR	<u>\$ 1,535,541</u>	<u>\$ 1,129,358</u>
CASH SUMMARY		
Unrestricted	\$ 1,393,626	\$ 1,096,358
Temporarily restricted	<u>141,915</u>	<u>33,000</u>
	<u>\$ 1,535,541</u>	<u>\$ 1,129,358</u>
SUPPLEMENTARY INFORMATION		
Income taxes paid	<u>\$ -0-</u>	<u>\$ -0-</u>
Interest paid	<u>\$ -0-</u>	<u>\$ -0-</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

June 30, 2021

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.

Basis of Accounting: The financial statements of the Center are prepared in accordance with accounting principle generally accepted in the United States of America (U.S. GAAP) on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation: The financial statements are presented in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Department is required to report information regarding its financial position and activities in two classes of net assets:

- (a) Net assets without donor restrictions are not subject to donor-imposed stipulations and are available for use as designated by the Board of Directors, including current operating expenses.
- (b) Net assets with donor restrictions are subject to donor-imposed restrictions that can be satisfied by actions of the Center, that expire by the passage of time, or that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the Center (see Note F). When a restriction expires, or upon satisfaction of the donor-imposed restriction, net assets are reclassified as unrestricted. Contributions restricted by donors whose restrictions are met in the same reporting period are recorded as net assets without donor restrictions.

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.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A – SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A – SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 issued by the North Carolina Secretary of State to solicit charitable contributions within North Carolina. This license must be renewed annually.

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 J).

Prior Year Amounts: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, prior year amounts should be read in conjunction with the Center’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on the reported results of activities.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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, 2021. 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, 2021, 2020, and 2019. All other years have been closed by statute.

NOTE C – GRANTS AND PROMISES RECEIVABLE

Promises to give	\$ 475,800
(Less) allowance for uncollectible amounts	<u>(350)</u>
	<u>\$ 475,450</u>

NOTE D – ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS

Balance beginning of year	\$ 350
Additions	3,800
(Reductions)	<u>(3,800)</u>
Balance at end of year	<u>\$ 350</u>

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* and *Single Audit Standards* issued by the Comptroller of the United States of America. A separate federal compliance supplement report is issued for these government grant funds.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE F – DONOR RESTRICTED NET ASSETS

Program	Year Ended June 30, 2021			
	Beginning of Year	(Utilized)	Additions	End of Year
Time restricted:				
Special event 2020	\$ 58,200	\$ (58,200)	\$ -0-	\$ -0-
Special event 2021			32,266	32,266
Dickson Foundation	<u>20,000</u>	<u>(20,000)</u>		<u>-0-</u>
	78,200	(78,200)	32,266	32,266
Purpose restricted:				
Duke Endowment			94,915	94,915
OrthoCarolina			1,970	1,970
Sisters of Mercy			<u>20,764</u>	<u>20,764</u>
	<u>-0-</u>	<u>-0-</u>	<u>117,649</u>	<u>117,649</u>
	<u>\$ 78,200</u>	<u>\$ (78,200)</u>	<u>\$ 149,915</u>	<u>\$ 149,915</u>

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 (\$13,500 for those under age 50 and \$16,500 for those ages 50 and over for the calendar year ended December 31, 2020). The Center is required to “match” employee elective deferrals up to 3% of compensation. Contribution expense for the year ended June 30, 2021, was \$31,052.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE I – LEASE COMMITMENT

The Center leases facilities for its programs and administrative offices under agreements with various expiration dates. Rental expense for the year ended June 30, 2021, was \$257,721. Future minimum annual lease payments for these noncancelable operating lease agreements are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 224,322
2023	200,049
2024	<u>80,372</u>
	<u>\$ 504,743</u>

The Center subleases a portion of this office space through under an agreement which expires November 30, 2023. Rental income for the year ended June 30, 2021, under such sublease totaled \$76,538. Anticipated future minimum rental income for this lease agreement is as follows:

<u>Year Ending June 30,</u>	
2022	\$ 76,406
2023	76,406
2024	<u>31,836</u>
	<u>\$ 184,648</u>

NOTE J – 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE J - 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, 2021.

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, 2021.

NOTE K - CONTRIBUTED SERVICES AND GOODS

	<u>Year Ending June 30, 2021</u>		
	<u>Resources</u>	<u>Capital</u>	<u>Expense</u>
Medical services and supplies	\$ 448,643	\$ -0-	\$ 448,643
Victim services and supplies	<u>24,551</u>	<u>-0-</u>	<u>24,551</u>
	<u>\$ 473,194</u>	<u>\$ -0-</u>	<u>\$ 473,194</u>

NOTE L - NOTE PAYABLE – PAYROLL PROTECTION PROGRAM

During the year ended June 30, 2020, the Center received a loan from Truist Bank in the amount of \$236,200 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan was subject to a note dated April 27, 2020 and could be forgiven to the extent proceeds are used for eligible expenditures described in the CARES Act.

On April 22, 2021, the entire balance of the loan was forgiven by the Small Business Administration.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE N – FUNCTIONAL EXPENSES

A summary of expenses by functional classification is as follows:

Expenses	Child Advocacy	Supporting Services			Totals 2021	Comparative Totals 2020
		Management and General	Fund Raising	Totals		
Personnel	\$ 1,172,240	\$ 106,982	\$ 229,178	\$ 336,160	\$ 1,508,400	\$ 1,404,571
Occupancy	259,173	30,393	15,217	45,610	304,783	250,822
Office supplies, postage, and printing	47,093	4,320	9,255	13,575	60,668	65,317
Special event			50,210	50,210	50,210	98,633
Travel, meals, and entertainment	5,693	522	1,119	1,641	7,334	34,337
Dues and subscriptions	15,228	1,397	2,993	4,390	19,618	11,775
Professional services	1,132	20,806	222	21,028	22,160	59,003
Medical services	473,194				473,194	450,849
Program supplies	69,128				69,128	61,364
Other		<u>8,965</u>	<u>19,270</u>	<u>28,235</u>	<u>28,235</u>	<u>42,611</u>
	2,042,881	173,385	327,464	500,849	2,543,730	\$ 2,479,282
(Less) cost of direct benefits			<u>(10,917)</u>	<u>(10,917)</u>	<u>(10,917)</u>	<u>(69,824)</u>
	<u>\$ 2,042,881</u>	<u>\$ 173,385</u>	<u>\$ 316,547</u>	<u>\$ 489,932</u>	<u>\$ 2,532,813</u>	<u>\$ 2,409,458</u>
	80.66%	6.84%	12.50%	19.34%		
<u>Comparative Totals</u>						
2020	<u>\$ 1,973,708</u>	<u>\$ 155,521</u>	<u>\$ 280,229</u>	<u>\$ 435,750</u>	<u>\$ 2,409,458</u>	
	81.92%	6.45%	11.63%	18.08%		

In the year ended June 30, 2021, \$1,895,471 in expenses were allocated to Program (78.81%), Management and General (7.58%), and Fundraising (13.61%). In the year ended June 30, 2020, \$1,756,022 in expenses were allocated to Program (80.40%), Management and General (5.35%), and Fundraising (14.25%).