AUDITED FINANCIAL STATEMENTS

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2022

CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Pat's Place Child Advocacy Center, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pat's Place Child Advocacy Center, Inc. as of June 30, 2022, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pat's Place Child Advocacy Center, Inc. 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 opinion.

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 the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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, 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 risk. 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 the Center'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 the Center'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.

Report on Summarized Comparative Information

We have previously audited the Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our reports dated December 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects with the audited financial statements from which they have been derived.

December 15, 2022

J. Ronald Martin, PA.

STATEMENT OF FINANCIAL POSITION

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Comparative Totals 2021
ASSETS				
Cash and equivalents	$ 1,177,351	$ 337,985	$ 1,515,336	$ 1,535,541
Investments	601,836		601,836	-0-
Promises to give (less allowance for uncollectible amounts: $350 for 2022 and 2021)	486,171	15,000	501,171	475,450
Prepaid expenses and other	21,255		21,255	31,870
Equipment and improvements:				
Equipment	101,860		101,860	158,674
Furniture and fixtures	30,415		30,415	30,415
Leasehold improvements	90,623		90,623	90,623
	222,898	-0-	222,898	279,712
(Less) accumulated depreciation	(168,727)		(168,727)	(204,715)
	54,171	-0-	54,171	74,997
	$ 2,340,784	$ 352,985	$ 2,693,769	$ 2,117,858
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	$ 38,508	$ -0-	$ 38,508	$ 32,268
Accrued compensated absences	29,273		29,273	32,644
Other payroll liabilities	9,369		9,369	30,269
	77,150	-0-	77,150	95,181
Net assets	2,263,634	352,985	2,616,619	2,022,677
	$ 2,340,784	$ 352,985	$ 2,693,769	$ 2,117,858

See notes to financial statements.

STATEMENT OF ACTIVITIES

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Comparative Totals 2021
SUPPORT AND REVENUE				
Contributions	$ 320,085	$ -0-	$ 320,085	$ 264,509
Grants – government	1,572,689	216,832	1,789,521	1,218,967
Grants – corporate and foundation	355,287	61,744	417,031	816,295
Gifts in kind	489,420		489,420	473,194
Special event – (less) direct benefits to participants $51,033 for 2022 and $10,917 for 2021)	184,582	74,409	258,991	158,761
Special events – third party	10,793		10,793	3,879
	195,375	74,409	269,784	162,640
Sublease rental income	76,406		76,406	76,538
Interest and dividends	20,766		20,766	65
Realized and unrealized (loss) on investments	(113,170)		(113,170)	-0-
Other income			-0-	31,680
PPP loan forgiveness			-0-	236,200
Net assets released from donor restrictions	149,915	(149,915)	-0-	-0-
TOTAL SUPPORT AND OTHER	3,066,773	203,070	3,269,843	3,280,088
EXPENSES				
Program Services:				
Child Advocacy	2,116,039	-0-	2,116,039	2,042,881
Supporting Services:				
Management and general	257,349		257,349	173,385
Fundraising	300,682		300,682	316,547
	558,031	-0-	558,031	489,932
TOTAL EXPENSES	2,674,070	-0-	2,674,070	2,532,813
(Loss) on disposal of fixed assets	(1,831)	-0-	(1,831)	-0-
CHANGE IN NET ASSETS	390,872	203,070	593,942	747,275
Net assets at beginning of year	1,872,762	149,915	2,022,677	1,275,402
NET ASSETS AT END OF YEAR	$ 2,263,634	$ 352,985	$ 2,616,619	$ 2,022,677

See notes to financial statements.

STATEMENT OF CASH FLOWS

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

Year Ended June 30, 2022

	Totals 2022	Comparative Totals 2021
OPERATING ACTIVITIES		
Change in net assets	$ 593,942	$ 747,275
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation expense	22,925	27,788
Unrealized loss on investments	113,170	-0-
Loss on disposal of fixed assets	1,831	-0-
Changes in operating assets and liabilities:		
Accounts receivable	(25,721)	(143,522)
Prepaid expenses	10,615	2,155
Accounts payable	6,240	22,398
Accrued compensated absences	(3,371)	329
Other payroll liabilities	(20,900)	26,462
NET CHANGE IN CASH FROM OPERATING ACTIVITIES	698,731	682,885
INVESTING ACTIVITIES		
Purchases of investments	(720,751)	-0-
Proceeds from sale of investments	5,745	-0-
(Purchases) of property and equipment	(3,930)	(40,502)
NET CHANGE IN CASH FROM INVESTING ACTIVITIES	(718,936)	(40,502)
FINANCING ACTIVITIES		
Payroll Protection Plan debt forgiveness	-0-	(236,200)
NET CHANGE IN CASH	(20,205)	406,183
Cash and equivalents at beginning of year	1,535,541	1,129,358
CASH AT END OF YEAR	$ 1,515,336	$ 1,535,541
CASH SUMMARY		
Without donor restrictions	$ 1,177,351	$ 1,393,626
With donor restrictions	337,985	141,915
	$ 1,515,336	$ 1,535,541
SUPPLEMENTARY INFORMATION		
Income taxes paid	$ -0-	$ -0-
Interest paid	$ -0-	$ -0-

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

PAT'S PLACE CHILD ADVOCACY CENTER, INC.

June 30, 2022

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 G). 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.

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.

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 K).

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, 2021, 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.

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, 2022. 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, 2022, 2021, and 2020. All other years have been closed by statute.

NOTE C – GRANTS AND PROMISES RECEIVABLE

Promises to give	$ 501,521
(Less) allowance for uncollectible amounts	(350)
	$ 501,171

NOTE D – ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS

Balance beginning of year	$ 350
Additions	177
(Reductions)	(177)
Balance at end of year	$ 350

NOTE E - INVESTMENTS

	June 30, 2022		
	Cost	Market Value	Aggregate Unrealized (Loss)
Cash and equivalents	$ 8,379	$ 8,379	$ -0-
Equities	398,115	317,731	(80,384)
Mutual Funds	308,512	275,726	(32,786)
	$ 715,006	$ 601,836	$ (113,170)

NOTE F – 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.

NOTE G – DONOR RESTRICTED NET ASSETS

Program	Year Ended June 30, 2022 Beginning of Year	(Utilized)	Additions	End of Year
Special fundraising events	$ 32,266	$ (32,266)	$ 74,409	$ 74,409
Duke Endowment	94,915	(94,915)		-0-
OrthoCarolina	1,970	(1,970)	5,000	5,000
Sisters of Mercy	20,764	(20,764)	48,959	48,959
ARPA			216,832	216,832
Novant Health			7,785	7,785
	$ 149,915	$ (149,915)	$ 352,985	$ 352,985

NOTE H – 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 receives a substantial portion of its operating funds from contracts with government agencies. Curtailment or cancellation of these contracts would have a significant effect on the future operations of the Center.

The Center maintains an investment brokerage account, which holds various investment securities. These securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment account balances and the amounts reported in the statement of net assets.

All investments are held by First Horizon Advisors and managed by outside managers under the direction and oversight of the Board of Directors. Investments are not backed or guaranteed by First Horizon Advisors and are subject to loss of principal and/or income (See Note E).

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 ($14,000 for those under age 50 and $17,000 for those ages 50 and over for the calendar year ended December 31, 2022). The Center is required to "match" employee elective deferrals up to 3% of compensation. Contribution expense for the year ended June 30, 2022, was $30,470.

NOTE J – 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, 2022, was $258,909. Future minimum annual lease payments for these noncancelable operating lease agreements are as follows:

Year Ending June 30,	
2023	$ 260,673
2024	106,123
	$ 366,796

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, 2022, under such sublease totaled $76,406. Anticipated future minimum rental income for this lease agreement is as follows:

Year Ending June 30,	
2023	$ 76,406
2024	31,836
	$ 108,242

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.

The following table sets forth by level within the fair value hierarchy the Center’s financial assets and liabilities accounted for at fair value on a recurring basis. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Center’s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

NOTE K - FAIR VALUE OF FINANCIAL MEASUREMENTS - CONTINUED

FINANCIAL ASSETS AND LIABILITIES:

Recurring Basis:

Description	June 30, 2022	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments	$ 601,836	$ 601,836		

The Center does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 1, 2, or 3 during the year ended June 30, 2022.

There were no changes during the year ended June 30, 2022 to the Center's valuation techniques used to measure asset and liability fair values on a recurring basis.

Nonrecurring Basis:

The Center does not have any financial assets or liabilities measured on a nonrecurring basis for the year ended June 30, 2022.

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, 2022.

NOTE L - CONTRIBUTED SERVICES AND GOODS

	Year Ending June 30, 2022 Resources	Capital	Expense
Medical services and supplies	$ 480,307	$ -0-	$ 480,307
Victim services and supplies	9,113		9,113
	$ 489,420	$ -0-	$ 489,420

NOTE M - 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 were 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 N - 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 O – 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 2022	Totals 2021
Personnel	$ 1,180,522	$ 185,078	$ 236,349	$ 421,427	$ 1,601,949	$ 1,508,400
Occupancy	267,410	22,947	11,488	34,435	301,845	304,783
Office supplies, postage, and printing	54,159	8,557	10,927	19,484	73,643	60,668
Special events			63,742	63,742	63,742	50,210
Travel, meals, and entertainment	31,816	5,027	6,419	11,446	43,262	7,334
Licensing, dues and subscriptions	12,379	1,956	2,498	4,454	16,833	19,618
Professional services	1,475	21,101	298	21,399	22,874	22,160
Medical services	489,420				489,420	473,194
Program supplies	78,858				78,858	69,128
Other		12,683	19,994	32,677	32,677	28,235
	2,116,039	257,349	351,715	609,064	2,725,103	2,543,730
(Less) cost of direct benefits			(51,033)	(51,033)	(51,033)	(10,917)
	$ 2,116,039	$ 257,349	$ 300,682	$ 558,031	$ 2,674,070	$ 2,532,813
	79.13%	9.62%	11.25%	20.87%		
Comparative Totals						
2021	$ 2,042,881	$ 173,385	$ 316,547	$ 489,932	$ 2,532,813	
	80.66%	6.84%	12.50%	19.34%		

In the year ended June 30, 2022, $2,029,757 in expenses were allocated to Program (75.77%), Management and General (11.03%), and Fundraising (13.20%). 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%).