

**NATIONAL CHILDREN'S  
ADVOCACY CENTER, INC.  
AUDITED FINANCIAL STATEMENTS**

**THE YEARS ENDED  
DECEMBER 31, 2022 AND 2021**

**Mercer & Associates, PC**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
National Children's Advocacy Center, Inc.  
Huntsville, Alabama

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of National Children's Advocacy Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Children's Advocacy Center, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Children's 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 opinions.

#### ***Emphasis of Matter***

As discussed in Note 16 to the financial statements, in 2022, the organization adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to this matter.

#### ***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 National Children's Advocacy Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material

misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Children's Advocacy Center, Inc.'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 National Children's Advocacy Center, Inc.'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.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2023, on our consideration of National Children's 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of National Children's 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 National Children's Advocacy Center, Inc.'s internal control over financial reporting and compliance.



Huntsville, Alabama  
August 22, 2023

**NATIONAL CHILDREN'S ADVOCACY CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 913,167	\$ 281,457
Investments		
Without donor restrictions	823,976	1,013,886
With donor restrictions	100,000	100,000
Total Investments	<u>923,976</u>	<u>1,113,886</u>
Accounts receivable		
Federal assistance	518,526	576,363
Other receivables	1,487,148	1,444,828
Prepaid expenses	31,661	104,126
<b>Total Current Assets</b>	<u>3,874,478</u>	<u>3,520,660</u>
<b>Fixed Assets</b>		
Land & building	9,631,655	9,631,655
Vehicles	30,977	30,977
Equipment & furnishings	290,844	290,844
Less accumulated depreciation	<u>(7,285,992)</u>	<u>(6,896,835)</u>
<b>Total Fixed Assets</b>	<u>2,667,484</u>	<u>3,056,641</u>
<b>Other Assets</b>		
Deposits	<u>800</u>	<u>800</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,542,762</u>	<u>\$ 6,578,101</u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 128,620	\$ 441,100
Accrued salaries and payroll taxes	162,528	114,360
Accrued compensated absences	314,270	286,291
Line of credit payable	0	0
Unearned revenue	234,464	188,424
<b>Total Current Liabilities</b>	<u>839,882</u>	<u>1,030,175</u>
<b>TOTAL LIABILITIES</b>	<u>839,882</u>	<u>1,030,175</u>
<b>Net Assets</b>		
Without Donor Restrictions	5,072,880	5,447,926
With Donor Restrictions	<u>630,000</u>	<u>100,000</u>
<b>TOTAL NET ASSETS</b>	<u>5,702,880</u>	<u>5,547,926</u>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<u>\$ 6,542,762</u>	<u>\$ 6,578,101</u>

The accompanying notes are an integral part of these financial statements

**NATIONAL CHILDREN'S ADVOCACY CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u><b>2022</b></u>	<u><b>2021</b></u>
<b>Revenue and Support</b>		
Public Support		
Contributions	\$ 319,858	\$ 240,220
Protector's Circle	548,133	330,286
Government fees & grants		
U.S. Department of Justice	3,106,837	2,667,236
U.S. Department of Health & Human Services	251,414	324,473
U.S. Department of Defense	0	511
State of Alabama	52,141	54,563
United Way	50,979	51,119
Children's Trust Fund	144,000	64,397
Other grants	101,119	74,692
Employee Retention Credit	0	1,043,876
Service fees		
Training & technical assistance	740,055	745,544
Symposium registrations	480,868	542,979
Product sales	701	0
Special events	168,855	142,523
Other income	176,471	167,393
Paycheck Protection Program Loan Forgiveness	0	275,699
Net Assets Released from Restriction	100,000	100,000
<b>Total Revenue and Support</b>	<u>6,241,431</u>	<u>6,825,511</u>
<b>Functional Expenses</b>		
Program services	5,195,055	4,881,853
Administrative and general	932,141	752,517
Fundraising	417,448	335,469
<b>Total Functional Expenses</b>	<u>6,544,644</u>	<u>5,969,839</u>
<b>Other Income (Expenses)</b>		
Realized gain(loss) on investments	(4,325)	3
Unrealized gain(loss) on investments	(266,392)	(335)
Interest income	198,884	113,283
<b>Total Other Income (Expenses)</b>	<u>(71,833)</u>	<u>112,951</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<u>(375,046)</u>	<u>968,623</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Grants	630,000	100,000
Net Assets Released from Restriction	(100,000)	(100,000)
<b>Change in Net Assets With Donor Restrictions</b>	<u>530,000</u>	<u>0</u>
<b>Change in Net Assets</b>	154,954	968,623
<b>Net Assets, Beginning</b>	<u>5,547,926</u>	<u>4,579,303</u>
<b>Net Assets, Ending</b>	<u>\$ 5,702,880</u>	<u>\$ 5,547,926</u>

The accompanying notes are an integral part of these financial statements

**NATIONAL CHILDREN'S ADVOCACY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>		<u>Support Services</u>		2022 Total
	Program Services	Administrative & General	Fundraising	Total Support Services	
Accounting services	\$ 13,862	\$ 2,534	\$ 1,408	\$ 3,942	\$ 17,804
Advertising	269	0	1,265	1,265	1,534
Bank charges	12,375	3,286	2,597	5,883	18,258
Books & publications	25,068	138	42	180	25,248
Client related expenses	204	0	1,520	1,520	1,724
Depreciation	340,345	31,383	17,430	48,813	389,158
Dues & permits	5,106	2,457	73	2,530	7,636
Equipment	0	242	0	242	242
Grants to other agencies	253,126	0	0	0	253,126
Insurance	73,398	18,691	9,247	27,938	101,336
Interest	0	0	0	0	0
Miscellaneous	20,292	6,595	14,374	20,969	41,261
Postage	3,560	3,206	6,701	9,907	13,467
Printing	12,087	1,065	33,323	34,388	46,475
Professional services	729,524	144,531	65,660	210,191	939,715
Rent	17,508	2,479	6,880	9,359	26,867
Repairs and maintenance	58,922	10,899	4,283	15,182	74,104
Salaries and related expenses	3,069,660	671,720	215,658	887,378	3,957,038
Scholarships	26,504	0	0	0	26,504
Supplies	62,970	7,289	15,248	22,537	85,507
Symposium expenses	275,892	0	0	0	275,892
Telephone	43,589	8,106	4,335	12,441	56,030
Travel	82,485	5,031	10,468	15,499	97,984
Utilities	68,309	12,489	6,936	19,425	87,734
<b>Total Expenses</b>	<b>\$ 5,195,055</b>	<b>\$ 932,141</b>	<b>\$ 417,448</b>	<b>\$ 1,349,589</b>	<b>\$ 6,544,644</b>

The accompanying notes are an integral part of these financial statements

**NATIONAL CHILDREN'S ADVOCACY CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>		<u>Support Services</u>		2021 Total
	Program Services	Administrative & General	Fundraising	Total Support Services	
Accounting services	\$ 10,011	\$ 1,830	\$ 1,017	\$ 2,847	\$ 12,858
Advertising	650	0	350	350	1,000
Bank charges	12,461	2,550	3,640	6,190	18,651
Books & publications	73,866	1,078	0	1,078	74,944
Client related expenses	399	0	1,419	1,419	1,818
Depreciation	340,346	31,383	17,430	48,813	389,159
Dues & permits	6,478	1,590	687	2,277	8,755
Grants to other agencies	235,692	0	0	0	235,692
Insurance	70,445	14,453	7,153	21,606	92,051
Interest	0	1,772	0	1,772	1,772
Miscellaneous	11,616	1,819	6,906	8,725	20,341
Postage	910	2,177	7,168	9,345	10,255
Printing	7,927	973	33,369	34,342	42,269
Professional services	659,397	130,521	50,431	180,952	840,349
Rent	16,398	2,331	2,381	4,712	21,110
Repairs and maintenance	88,171	11,664	6,175	17,839	106,010
Salaries and related expenses	2,773,005	512,004	171,570	683,574	3,456,579
Scholarships	20,539	0	0	0	20,539
Supplies	90,900	11,653	14,573	26,226	117,126
Symposium expenses	230,034	0	0	0	230,034
Telephone	81,522	10,447	4,305	14,752	96,274
Travel	90,216	3,143	714	3,857	94,073
Utilities	60,870	11,129	6,181	17,310	78,180
<b>Total Expenses</b>	<b>\$ 4,881,853</b>	<b>\$ 752,517</b>	<b>\$ 335,469</b>	<b>\$ 1,087,986</b>	<b>\$ 5,969,839</b>

The accompanying notes are an integral part of these financial statements



**NATIONAL CHILDREN'S ADVOCACY CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2022</b>	<b>2021</b>
Increase (Decrease) in net assets	\$ 154,954	\$ 968,623
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation	389,158	389,159
Unrealized (gain)/loss on investments	266,392	335
Realized (gain)/loss on investments	4,325	(3)
Investment income	(89,820)	(112,425)
Investment fees	9,012	9,782
(Increase) decrease in operating assets:		
Accounts receivable	15,517	(1,153,343)
Prepaid expenses	72,465	(50,577)
Increase (decrease) in operating liabilities:		
Accounts payable	(312,480)	340,546
Accrued expenses	76,147	29,606
Deferred revenues	46,040	43,735
	<u>631,710</u>	<u>465,438</u>
<b>Net cash provided (used) by operating activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	91,043	1,209
Purchase of investments	(91,043)	(953)
Purchase of equipment	0	0
	<u>0</u>	<u>256</u>
<b>Net cash provided (used) by investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	0	269,753
Payments on line of credit	0	(454,640)
	<u>0</u>	<u>(184,887)</u>
<b>Net cash provided (used) by financing activities</b>		
<b>Net increase (decrease) in cash and cash equivalents</b>	631,710	280,807
<b>Cash and cash equivalents at beginning</b>	<u>281,457</u>	<u>650</u>
<b>Cash and cash equivalents at end</b>	<u>\$ 913,167</u>	<u>\$ 281,457</u>
 <u>Supplemental information</u>		
Interest paid	\$ <u>0</u>	\$ <u>1,772</u>

The accompanying notes are an integral part of these financial statements

**THE NATIONAL CHILDREN’S ADVOCACY CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The National Children’s Advocacy Center, Inc. (the “Center”) is a nonprofit organization located in Huntsville, Alabama established to break the cycle of child maltreatment by using a multidisciplinary team approach to prevention and intervention services for abused children and their families and by providing training and information for professionals and other members of the community.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Under the provisions of the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”), net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. The Center’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Accounting standards require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. In addition, gains and losses on investments should be reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Because substantially all of the Center’s accounts receivable are appropriated by local, state and federal agencies, collectibility of the balance is determined as highly likely. No allowance for estimated uncollectible accounts is maintained. Had such a reserve account been contemplated, it would have no material effect on the financial statements as a whole. When an account is determined as uncollectible, the related accounts receivable is reduced and charged as a direct expense in the current period.

Inventory

Inventory, if any, is valued at the lesser of cost or market in accordance with principles generally accepted in the United States of America.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### Revenue Recognition

Contributions received are recorded as support without donor restrictions and support with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

#### Land, Building and Equipment

The Center capitalizes expenditures for land, buildings and equipment at costs. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which are three to seven years for furniture and equipment and twenty-five years for building. The Center capitalizes furniture and equipment with cost over \$5,000.

Expenditures for maintenance and repairs that significantly extend the useful life or increase the productivity of an asset are capitalized. When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the books and the resulting gain or loss is credited or charged to income.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Restrictions on donated capital assets expire over the estimated life of the asset and depreciation is recognized over the life of the asset.

#### Functional Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and Related Expenses	Time and Effort
Professional services	Direct Expenses
Depreciation, Insurance, Utilities, and Repairs & Maintenance	Square Footage
Telephone and Accounting Services	Square Footage
All Other	Direct Expenses

#### Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income is reported as an increase in net assets without donor restrictions in the reporting period in which the income is recognized. The investments are in mutual funds.

#### Advertising

All advertising costs are expensed as incurred.

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### Income Taxes

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal or state income taxes in the accompanying financial statements. Management is not aware of any activities that would jeopardize the Center's tax-exempt status. Tax years after December 31, 2018 remain subject to examination by taxing authorities. In addition, the Center had no unrelated business income for the years ended December 31, 2022 and 2021.

#### Estimates

Preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires use of management's estimates. These estimates require assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Leases

The Center determines if a contractual arrangement is or contains a lease at inception. Leases are classified as either an Operating Lease or a Finance Lease. The classification affects how rent expense is recognized. Regardless of the classification, both types of leases are included in right-of-use assets and lease liabilities on the Statement of Financial Position. Right-of-use assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. For leases classified as an Operating Lease, lease payments are recognized as rent expense on a straight-line basis over the lease term. For leases classified as a Finance Lease, lease payments are recognized as a reduction in the lease liability and interest expense. The Center does not report right-of-use assets and lease liabilities for short-term leases (leases with a term of 12 months or less and month-to-month leases). The lease payments for short-term leases are reported as rent expense. The Center has made an accounting policy election to use a risk-free rate in lieu of the incremental borrowing rate to discount future lease payments.

### NOTE 2 – DONATED SERVICES

As a nonprofit organization, the Center is able to provide its services to the community in large part due to the dedicated support of its many volunteers. Only specialized services provided to the Center are reflected in the financial statements. No support, revenue or expense is recognized from services contributed by other volunteers since no objective basis is available to measure the value of such services.

### NOTE 3 – FEDERAL FINANCIAL ASSISTANCE

The Center receives grant revenues from the United States Department of Justice, the Department of Health and Human Services (DHHS), and the Department of Defense. These funds require that the Center expend federal funds for purposes that will achieve grant-specific objectives. Revenue is recognized as the Center incurs expenditures in compliance with the specific requirements of the grant.

The Center also receives grant revenues from the Alabama Department of Human Resources (DHR) under a program called Healthy Families of North Alabama. This money is passed through DHR from DHHS. The grant requires that the Center expend these monies for purposes to serve eligible persons toward achieving the objectives set forth by the grant and to provide a specified percentage of matching funds. The Center is responsible for providing matching funds in order to complete some of the projects funded by the granting agency.

## NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

### NOTE 4 – CONCENTRATION OF CREDIT RISK

The Center maintains the majority of cash balances in a commercial bank located in North Alabama. Cash balances are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to the maximum allowed. The uninsured deposits at December 31, 2022 and 2021 were \$676,951 and \$77,004, respectively.

### NOTE 5 – LINE OF CREDIT AND CASH POSITION

The Center has established a line of credit of \$1,050,000 in 2022 and 2021 with the bank. At December 31, 2022 and 2021, the balances were \$0 and \$0, respectively. The line balance fluctuates based on the Center's cash deposits with the bank and the line of credit arrangement to sweep available cash. Interest is calculated at the bank's prime rate of interest. Due to the nature of the line of credit, the balance is reflected as a current liability on the statements of financial position. At December 31, 2022 and 2021, the line of credit available to be drawn was \$1,050,000 and \$1,050,000, respectively.

### NOTE 6 – COMMITMENTS AND CONTINGENCIES

The Center receives grants from the United States Departments of Justice, Health and Human Services, and Defense that require the Center to perform certain services and activities as specified within the grants. Failure to fulfill the conditions as set forth within the grants could result in the return of the funds to the grantor agency. The Center deems this contingency remote because the objectives of each grant have been accomplished.

### NOTE 7 – 401(K) BENEFIT PLAN

Employee's contributions are matched 100% dollar for dollar for the first 5% contributed. Eligibility is based on three months of service for employees over 21 years of age. For the years ended December 31, 2022 and 2021, the Center made 401(k) contributions of \$148,466 and \$127,829.

### NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. A fair value measurement assumes that the transaction to see the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities and has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Foundation's own data.)

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED**

The following table presents the Center’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2022.

	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
Investment	\$ 923,976	\$	0	\$	0	\$	923,976
Interest Receivable	<u>0</u>		<u>0</u>		<u>0</u>		<u>0</u>
Totals	\$ <u>923,976</u>	\$	<u>0</u>	\$	<u>0</u>	\$	<u>923,976</u>

The following table presents the Center’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2021.

	<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
Investment	\$ 1,113,886	\$	0	\$	0	\$	1,113,886
Interest Receivable	<u>0</u>		<u>0</u>		<u>0</u>		<u>0</u>
Totals	\$ <u>1,113,886</u>	\$	<u>0</u>	\$	<u>0</u>	\$	<u>1,113,886</u>

The board of directors approved investment of funds with Morgan Stanley during the year. All investments are invested by Morgan Stanley in the name of the Center.

**NOTE 9 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2022, is as follows:

	<u>Beginning</u>		<u>Additions</u>		<u>Disposals</u>		<u>Ending</u>
Land and Building	\$ 9,631,655	\$	0	\$	0	\$	9,631,655
Vehicles	30,977		0		0		30,977
Equipment and Furnishings	290,844		0		0		290,844
Accumulated Depreciation	<u>(6,896,835)</u>		<u>(389,158)</u>		<u>0</u>		<u>(7,285,992)</u>
	\$ <u>3,056,641</u>	\$	<u>(389,158)</u>	\$	<u>0</u>	\$	<u>2,667,484</u>

A summary of changes in capital assets for the year ended December 31, 2021, is as follows:

	<u>Beginning</u>		<u>Additions</u>		<u>Disposals</u>		<u>Ending</u>
Land and Building	\$ 9,631,655	\$	0	\$	0	\$	9,631,655
Vehicles	30,977		0		0		30,977
Equipment and Furnishings	290,844		0		0		290,844
Accumulated Depreciation	<u>(6,507,676)</u>		<u>(389,159)</u>		<u>0</u>		<u>(6,896,835)</u>
	\$ <u>3,445,800</u>	\$	<u>(389,159)</u>	\$	<u>0</u>	\$	<u>3,056,641</u>

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 10 – LEASES**

FASB ASC 842, *Leases* issued in February 2016, is effective for fiscal years beginning after December 15, 2021. FASB ASC 842 requires lessees to determine if leases are classified as Operating Leases or Finance Leases. Regardless of classification, lessees must recognize an intangible right-of-use asset and lease liability.

The Center does not report right-of-use assets and lease liabilities for short-term leases (leases with a term of 12 months or less and month-to-month leases). The lease payments for short-term leases are reported as rent expense. The Center leases land and buildings from the City of Huntsville, Alabama for \$1 per year. This lease expires March 31, 2026 with the option to renew the lease through March 31, 2076.

FASB ASC 842 requires lessors to determine if leases are classified as Sales-Type Leases, Direct Financing Leases, or Operating Leases. The Center has one Operating Lease with the City of Huntsville in effect during 2022 and 2021. Details of the lease are as follows:

Lease for office space payable in monthly installments of \$3,750 for three years commencing July 1, 2019 and ending June 30, 2022. The City of Huntsville has the option to renew the agreement for two additional one-year terms. The lease was renewed through June 30, 2023.

Lease income recognized from this lease agreement was \$45,000 for 2022 and 2021.

The lease income commitments from this lease are as follows:

2023	\$	22,500
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**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

Donor restricted net assets consist for the following purposes as of December 31, 2022 and 2021:

	2022	2021
Subject to the passage of time:		
Alpha Foundation-2023 and 2022 grants, respectively	\$ 100,000	\$ 100,000
Handle With Care 2023 grant	30,000	0
Subject to renovations and capital improvements:		
Madison County for 2023 expenses	500,000	0
	\$ 630,000	\$ 100,000

Releases from Donor Restricted Net Assets for December 31, 2022 and 2021 are as follows:

	2022	2021
Subject to the passage of time:		
Alpha Foundation-2022 and 2021 grants, respectively	\$ 100,000	\$ 100,000

## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 12 – LIQUIDITY

The Center’s financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 913,167	\$ 281,457
Investments	923,976	1,113,886
Accounts receivable – Federal assistance	518,526	880,193
Accounts receivable – Other	1,487,148	1,140,998
Prepaid expenses	31,661	104,126
	<u>\$ 3,874,478</u>	<u>\$ 3,520,660</u>

As part of the Center’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

### NOTE 13 – RISK AND UNCERTAINTY – COVID-19

The World Health Organization declared the COVID-19 outbreak a public health emergency on January 30, 2020. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. Anticipating the impact of the pandemic will make budget preparation difficult. At this time, an estimate of the financial statement effect of the event cannot be made.

### NOTE 14 – PAYCHECK PROTECTION PROGRAM LOAN

On April 13, 2020 and on January 29, 2021, the Center was granted loans from ServisFirst Bank in the aggregate amount of \$211,800 and \$275,699, respectively, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The loans mature on April 13, 2022 and January 29, 2023 and bear interest at a rate of 1% per annum, payable monthly commencing on October 13, 2020 and July 29, 2021. However, the HR7010 Paycheck Protection Program Flexibility Act of 2020 extended the due date to April 13, 2025 and January 29, 2026, and deferred payments until loan forgiveness. The loans may be prepaid by the Center at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the loans may be forgiven if they are used for qualifying expenses as described in the CARES Act. Qualifying expenses include payroll costs, group health care benefit costs, mortgage payments, rent, utilities, and interest on other debt obligations. The Center used the loan amounts for qualifying expenses.

The loans were forgiven on December 30, 2020 and November 3, 2021, respectively.

### NOTE 15 – EMPLOYEE RETENTION CREDIT

The CARES Act provides an Employee Retention Credit (ERC), which is a refundable tax credit against certain employment taxes. In 2021 and 2020, the Center recognized revenue of \$1,043,876 and \$303,830 related to the refundable tax credit calculation. At December 31, 2022 and 2021, an “Other Receivable” of \$1,408,712 and \$1,347,706 are reported. The Center received \$44,633 and \$0 as of December 31, 2022 and 2021 in ERC and interest. Interest income of \$103,442 was accrued during 2022.

Laws and regulations concerning government programs, including the Employee Retention Credit established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Center’s claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Center.



## NOTES TO FINANCIAL STATEMENTS – CONTINUED

### NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

The American Institute of Certified Public Accountants (AICPA) Auditing Standards Board issued new auditing standards – Statements on Auditing Standards (SAS) 134-140 – that impact several aspects of our audit including modifying the auditor’s report and communication to those charged with governance as well as requiring additional audit procedures over related party relationships and significant unusual transactions. These new pronouncements are effective for entities with periods ending on or after December 15, 2021. Therefore, these changes apply and have been implemented as of December 31, 2021. This implementation had no impact on the change in net assets or ending net assets.

Statement on Auditing Standards (SAS) No. 142 takes effect for audits of financial statements for periods ending on or after December 15, 2022. SAS No. 142 explains what constitutes audit evidence in an audit of financial statements and sets out attributes of information that are taken into account by the auditor when evaluating information to be used as audit evidence. The adoption of SAS 142 had no effect on net assets or the change in net assets.

For the year ended December 31, 2022, the Center adopted FASB ASC 842, *Leases*, which requires lessees to determine if a lease is an Operating Lease or a Finance Lease and requires lessors to determine if a lease is an Operating Lease, Sales-Type Lease, or Direct Financing Lease. The Standard requires disclosure of key information about leasing arrangements. The adoption of ASC 842 had no effect on net assets or the change in net assets.

### NOTE 17 – SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is August 22, 2023. The financial statements were available to be issued at that time.

The Center received \$1,441,081 from the Employee Retention Credit in July 2023.

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
National Children's Advocacy Center, Inc.  
Huntsville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the National Children's Advocacy Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 22, 2023.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the National Children's Advocacy Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the National Children's Advocacy Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the National Children's Advocacy Center's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the National Children's Advocacy Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Mercer & Associates, PC*

Huntsville, Alabama  
August 22, 2023

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
National Children's Advocacy Center, Inc.  
Huntsville, Alabama

### Report on Compliance for Each Major Federal Program

We have audited the National Children's Advocacy Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the National Children's Advocacy Center, Inc.'s major federal programs for the year ended December 31, 2022. The National Children's Advocacy Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The National Children's Advocacy Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on The National Children's Advocacy Center, Inc.'s compliance.

### Opinion on Each Major Federal Program

In our opinion the National Children's Advocacy Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

## Report on Internal Control Over Compliance

Management of the National Children's Advocacy Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the National Children's Advocacy Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the National Children's Advocacy Center, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mercer & Associates, PC*

Huntsville, Alabama  
August 22, 2023

**NATIONAL CHILDREN'S ADVOCACY CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Assistance Listing	Pass-Through Grantor's Number	Revenue Recognized	Total Expenditures	Passed through to Subrecipients
<b>U.S. Department of Justice</b>					
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local CACs					
VOCA Training and Technical Assistance for Child Abuse Professionals - Child Abuse Response Enhancement (CARE) Program	16.758		\$ 835,913	\$ 835,913	\$ 0
Southern Regional Children's Advocacy Center	16.758		1,389,980	1,389,980	253,126
Total Improving the Investigation and Prosecution of Child Abuse and the Regional and Local CACs			<u>2,225,893</u>	<u>2,225,893</u>	<u>253,126</u>
Passed through National Children's Alliance:					
Provision of Core Direct CAC Services	16.758	HUNT-AL-CORE22	24,823	24,823	0
Passed through the Alabama Department of Economic and Community Affairs					
Crime Victim Assistance - Discretionary	16.575	2022-VA-CA-221	437,011	437,011	0
Crime Victim Assistance - Discretionary	16.575	2023-VA-CA-14	155,278	155,278	0
Total Passed through the Alabama Department of Economic and Community Affairs			<u>592,289</u>	<u>592,289</u>	<u>0</u>
Passed through the International Association of Chiefs of Police					
Vicarious Trauma Response Initiative: Training and Technical Assistance	16.582	IACP-2019-7612-01	21,371	21,371	0
Enhancing Community Responses to the Opioid Crisis: Serving our Youngest Victims	16.582		235,562	235,562	0
			<u>256,933</u>	<u>256,933</u>	<u>0</u>
Missing Children's Assistance	16.543		6,899	6,899	0
<b>Total U.S. Department of Justice</b>			<u>3,106,837</u>	<u>3,106,837</u>	<u>253,126</u>
<b>U.S. Department of Health and Human Services</b>					
Passed through the Alabama Department of Human Resources					
Healthy Families	93.556	4080	251,414	251,414	0
<b>Total U.S. Department of Health and Human Services</b>			<u>251,414</u>	<u>251,414</u>	<u>0</u>
<b>Total</b>			<u>\$ 3,358,251</u>	<u>\$ 3,358,251</u>	<u>\$ 253,126</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**NATIONAL CHILDREN’S ADVOCACY CENTER, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the National Children’s Advocacy Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of the basic financial statements.

The Center did not elect to use the 10% de minimis indirect cost rate.

**NATIONAL CHILDREN’S ADVOCACY CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**SUMMARY OF AUDIT RESULTS**

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of the National Children’s Advocacy Center, Inc. were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the National Children’s Advocacy Center, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award programs for the National Children’s Advocacy Center, Inc. expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no audit findings relative to the major federal award programs for the National Children’s Advocacy Center, Inc. that are required to be reported in this schedule.
7. The programs tested as major programs include:

US Dept of Justice – Crime Victim Assistance-Discretionary	16.575
US Dept of Justice – Vicarious Trauma Response Initiative: Training and Technical Assistance	16.582
US Dept of Justice – Enhancing Community Responses to the Opioid Crisis: Serving our Youngest Victims	16.582
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The National Children’s Advocacy Center, Inc. was determined to be a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None