

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
Raleigh, North Carolina

**Audited Financial Statements
and
Compliance Section**

Years Ended June 30, 2013 and 2012



PREVENT CHILD ABUSE, NORTH CAROLINA INC.
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Years Ended June 30, 2013 and 2012

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and Consultants

Report of Independent Auditors

To the Board of Directors
Prevent Child Abuse, North Carolina Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Prevent Child Abuse, North Carolina Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013, and the changes in its net assets, cash flows, and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note 16, the opening balances of net assets have been restated to correct prior period classification of net assets. The previously issued financial statements have not been corrected for this restatement.

Other Matters

The financial statements as of June 30, 2012 were audited by other auditors whose report dated December 12, 2012, expressed an unmodified opinion on those statements.

Other 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* on page 21, 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 information 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 November 27, 2013 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

Thomas & Gibbs CAAs, PLLC

Durham, North Carolina
November 27, 2013

PREVENT CHILD ABUSE, NORTH CAROLINA INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Current assets		
Cash and cash equivalents (note 2)	\$ 732,840	\$ 914,225
Grants and contracts receivable (note 3)	62,976	39,854
Accounts receivable	15,941	12,342
Prepaid expenses	23,735	15,735
Total current assets	<u>835,492</u>	<u>982,156</u>
Property and equipment, net (note 4)	<u>24,676</u>	<u>7,547</u>
Total non current assets	<u>24,676</u>	<u>7,547</u>
Total assets	<u>\$ 860,168</u>	<u>\$ 989,703</u>
Liabilities and net assets		
Liabilities		
Accounts payable & accrued expense	\$ 57,589	\$ 22,963
Accrued paid time off (note 13)	26,196	25,444
Deferred revenue (note 5)	304,148	105,567
Total liabilities	<u>387,933</u>	<u>153,974</u>
Net assets		
Unrestricted	356,555	353,556
Temporarily restricted (note 6)	115,680	482,173
Total net assets	<u>472,235</u>	<u>835,729</u>
Total liabilities and net assets	<u>\$ 860,168</u>	<u>\$ 989,703</u>

The accompanying notes are an integral part of the financial statements.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 171,186	\$ -	\$ 171,186
Conference and training	85,767	-	85,767
Special events	15,237	-	15,237
Contracts	611,630	-	611,630
Grants	453,788	85,500	539,288
Membership dues	89,860	-	89,860
Interest income	3,438	-	3,438
Other income	48	-	48
Total revenue	1,430,954	85,500	1,516,454
Net assets released from restrictions (note 7)	451,993	(451,993)	-
Total support and revenues	1,882,947	(366,493)	1,516,454
Expenses			
Program services	1,710,432	-	1,710,432
Management and general	75,524	-	75,524
Fundraising	93,992	-	93,992
Total expenses	1,879,948	-	1,879,948
Change in net assets	2,999	(366,493)	(363,494)
Net assets, beginning of year	353,556	482,173	835,729
Net assets, end of year	\$ 356,555	\$ 115,680	\$ 472,235

The accompanying notes are an integral part of the financial statements.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 104,314	\$ -	\$ 104,314
Conference and training	60,463	-	60,463
Special events	51,862	-	51,862
Contracts	389,039	-	389,039
Grants	124,170	980,300	1,104,470
Membership dues	76,670	-	76,670
Interest income	2,971	-	2,971
Other income	2,894	-	2,894
Total revenue	<u>812,383</u>	<u>980,300</u>	<u>1,792,683</u>
Net assets released from restrictions (note 7)	558,286	(558,286)	-
Total support and revenues	<u>1,370,669</u>	<u>422,014</u>	<u>1,792,683</u>
Expenses			
Program services	1,201,487	-	1,201,487
Management and general	81,791	-	81,791
Fundraising	128,910	-	128,910
Total expenses	<u>1,412,188</u>	<u>-</u>	<u>1,412,188</u>
Change in net assets	(41,519)	422,014	380,495
Net assets, beginning of year	<u>395,075</u>	<u>60,159</u>	<u>455,234</u>
Net assets, end of year	<u>\$ 353,556</u>	<u>\$ 482,173</u>	<u>\$ 835,729</u>

The accompanying notes are an integral part of the financial statements.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating activities		
Change in net assets	\$ (363,494)	\$ 380,495
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation expense	5,839	3,935
Changes in operating assets and liabilities:		
Grants and contracts receivable, net	(23,122)	14,420
Accounts receivable	(3,601)	(12,343)
Prepaid expenses	(8,000)	(2,919)
Accounts payable	34,626	998
Accrued paid time off	752	2,319
Deferred revenue	<u>198,580</u>	<u>19,588</u>
Net cash (used) provided by operating activities	(158,420)	406,493
Cash flows from investing activities		
Cash paid for purchases of fixed assets	(23,617)	(2,443)
Cash received for disposal of fixed assets	<u>652</u>	<u>-</u>
Net cash used by investing activities	(22,965)	(2,443)
Net (decrease) increase in cash and cash equivalents	(181,385)	404,050
Cash and cash equivalents, beginning of year	<u>914,225</u>	<u>510,175</u>
Cash and cash equivalents, end of year	<u>\$ 732,840</u>	<u>\$ 914,225</u>

The accompanying notes are an integral part of the financial statements.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

	Program Services					Support Services			Total Expenses
	Public Education	Prevention Programs	Training	Other Programs	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 50,516	\$ 654,842	\$ 59,110	\$ 57,314	\$ 821,782	\$ 38,628	\$ 57,066	\$ 95,694	\$ 917,476
Fringe benefits and payroll taxes	9,208	166,555	10,414	27,651	213,828	9,942	13,749	23,690	237,519
Travel	-	21,228	2,182	557	23,967	212	1,702	1,914	25,881
Telephone/internet	34	9,525	271	329	10,159	963	694	1,657	11,816
Postage	3,011	1,698	2,195	3,595	10,499	615	1,616	2,231	12,730
Supplies	8	2,003	49	972	3,033	103	442	545	3,578
Printing and reproduction costs	-	532	50	551	1,133	1,401	1,542	2,944	4,077
Special events expenses	-	-	-	-	-	-	2,676	2,676	2,676
Public awaweses	44,846	467	-	-	45,313	1,670	65	1,735	47,048
Training expenses	9	63,932	102,090	627	166,657	63	73	136	166,793
Office and equipment expenses	426	52,248	2,104	6,476	61,254	2,925	4,435	7,360	68,614
Outside consultants and services	50,000	269,559	24,510	1,042	345,111	13,464	5,029	18,493	363,604
Fees and service charges	1	262	9	1,850	2,122	1,490	4,185	5,676	7,797
Audit	-	-	-	-	-	4,500	-	4,500	4,500
Depreciation	-	1,030	-	4,543	5,573	(452)	718	266	5,839
Totals	\$ 158,060	\$ 1,243,880	\$ 202,984	\$ 105,508	\$ 1,710,432	\$ 75,524	\$ 93,992	\$ 169,516	\$ 1,879,948

The accompanying notes are an integral part of the financial statements.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Program Services					Support Services			Total Expenses
	Public Education	Prevention Programs	Training	Other Programs	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries	\$ 51,656	\$ 545,326	\$ 18,720	\$ 14,643	\$ 630,345	\$ 52,946	87,997	\$ 140,943	\$ 771,288
Fringe benefits and payroll taxes	13,052	141,404	4,895	3,801	163,152	15,888	14,763	30,651	193,803
Travel	886	24,347	2,172	100	27,505	619	1,336	1,955	29,460
Telephone/internet	846	8,926	306	239	10,317	247	178	425	10,742
Postage	3,965	2,313	1,342	130	7,750	339	721	1,060	8,810
Supplies	299	3,154	109	84	3,646	388	129	517	4,163
Printing and reproduction costs	136	-	-	391	527	-	2,815	2,815	3,342
Special events expenses	-	-	-	-	-	-	13,219	13,219	13,219
Public awarneses	30,920	-	-	-	30,920	1,401	292	1,693	32,613
Training expenses	1,477	45,815	19,153	-	66,445	14	65	79	66,524
Office equipment expenses	5,248	55,376	1,901	1,479	64,004	2,355	4,556	6,911	70,915
Outside consultants and services	17,572	168,931	4,833	-	191,336	2,515	333	2,848	194,184
Fees and service charges	1,852	-	298	-	2,150	851	2,189	3,040	5,190
Audit	-	-	-	-	-	4,000	-	4,000	4,000
Depreciation	211	3,043	76	60	3,390	228	317	545	3,935
Totals	\$ 128,120	\$ 998,635	\$ 53,805	\$ 20,927	\$ 1,201,487	\$ 81,791	\$ 128,910	\$ 210,701	\$ 1,412,188

The accompanying notes are an integral part of the financial statements.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2012

Note 1 – Nature of activities and significant accounting policies

Prevent Child Abuse, North Carolina Inc., (the “Organization”) was formed January 1, 1979 for educational, scientific, and charitable purposes. The Organization is dedicated to the prevention of child abuse and neglect in all its forms. The Organization is supported mainly through federal and private grants.

Basis of accounting - The Organization uses the accrual basis of accounting; therefore, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Basis of presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Accounting Standards Codification (ASC) Topic 958-205, *Not-for-profit Entities – Presentation of Financial Statements*. Under ASC Topic 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are defined as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets – Net assets subject to donor-imposed stipulation that require actions of the Organization or the passage of time. When a restriction expires as a result of the lapse of a time requirement or achievement of the specific operating purpose stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are available to be used primarily to meet program requirements.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations or interpretation of applicable law that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets at June 30, 2013 or 2012.

Revenue recognition - The Organization follows ASC Topic 985-605, *Revenue Recognition*. In accordance with ASC 985-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted net assets.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2012

Note 1 – Nature of activities and significant accounting policies (continued)

Advertising - The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2013 and 2012 is \$0.

Property and equipment – Furniture and equipment are recorded at cost. It is the Organization's policy that equipment expenditures costing less than \$500 are expensed. The fair values of donated fixed assets are also capitalized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from three to seven years.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been made in the accompanying statements.

Uncertain tax positions - In 2006, the Financial Accounting Standards Board (FASB) released FASB ASC-740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended June 30, 2013, the Organization has considered FASB ASC 740-10, as amended by Accounting Standards Update (ASU) 2009-06, and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. Tax years 2009 through 2012 remain open at June 30, 2013.

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

Reclassifications – Certain reclassifications have been made to the 2012 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 2 – Cash and cash equivalents

Cash equivalents consist of short-term, highly liquid investments, with original maturities at time of purchase of less than ninety days.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013 and 2012

Note 2 – Cash and cash equivalents (continued)

The Organization had the following cash and cash equivalents balances available for operations as of June 30, 2013 and 2012:

	2013	2012
Checking	\$ 449,283	\$ 760,127
Money market	250,233	149,700
Undeposited funds	33,324	4,398
Total	\$ 732,840	\$ 914,225

Note 3 – Grants and contracts receivable

At June 30, 2013 and 2012, the Organization is due the following amounts:

	2013	2012
North Carolina Division of Social Services	\$ 62,046	\$ 39,854
Governor's Crime Commission	930	-
	\$ 62,976	\$ 39,854

Note 4 – Property and equipment, net

Property and equipment consist of the following at June 30, 2013 and 2012:

	2013	2012
Furniture	\$ 15,784	\$ 13,675
Equipment	54,014	43,842
Total property and equipment	69,798	57,517
Less accumulated depreciation	(45,122)	(49,970)
Property and equipment, net	\$ 24,676	\$ 7,547

The Organization recognized depreciation expense of \$5,839 and \$3,935 for the years ended June 30, 2013 and 2012, respectively.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013 and 2012

Note 5 – Deferred revenue

The Organization records grant awards accounted for as exchange transactions as deferred revenue until related services are performed, at which time they are recognized as revenue. Deferred revenue is also recorded for membership dues collected in advance.

At June 30, 2013 and 2012, deferred revenue consists of:

	2013	2012
Kate B. Reynolds Charitable Trust	\$ 55,000	\$ 70,367
The Duke Endowment	244,448	-
Membership dues	4,200	-
Other	500	10,200
Grantmakers in Health	-	25,000
	\$ 304,148	\$ 105,567

Note 6 – Temporarily restricted net assets

The following temporarily restricted net assets are available for prevention programs including Incredible Years and Strengthening Families at June 30, as indicated:

	2013	2012
The Duke Endowment	\$ 33,400	\$ 399,000
Ms. Foundation for Women	57,280	43,173
The Eshelman Foundation	25,000	40,000
	\$ 115,680	\$ 482,173

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013 and 2012

Note 7 – Net assets released from restrictions

During the years ended June 30, 2013 and 2012 temporarily restricted net assets totaling \$451,993 and \$558,286 were released due to satisfaction of purpose restrictions.

	2013	2012
The Duke Endowment	\$ 365,600	\$ 365,843
Ms. Foundation for Women	46,393	42,986
The Eshelman Foundation	40,000	35,000
Kate B. Reynolds Foundation	-	114,457
	<u>\$ 451,993</u>	<u>\$ 558,286</u>

Note 8 – Concentrations

The Organization holds its cash and cash equivalents in North Carolina based banks. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. There are uninsured cash account balances of \$219,123 and \$491,859 at June 30, 2013 and 2012, respectively.

Concentrations in grant funds for the years ended June 30, 2013 and 2012 are summarized below.

	2013	2012
The Duke Endowment	30%	25%
Kate B. Reynolds Foundation	10%	13%
North Carolina DSS (federal pass-through)	32%	36%
Other sources	28%	26%
	<u>100%</u>	<u>100%</u>

Note 9 – Lease commitments

The Organization leases its office space under a four year operating lease agreement. In addition, the Organization leases certain equipment under leases which expire at various times through 2016. Rent expense under the office and equipment leases totaled \$53,809 for the year ended June 30, 2013 and \$51,692 for the year ended June 30, 2012.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2012

Note 9 – Lease commitments (continued)

Future minimum payments, by year and in aggregate, under operating leases with remaining terms of one year or more are as follows at June 30, 2013:

Year Ending June 30	Amount
2014	\$ 52,456
2015	51,921
2016	<u>9,685</u>
	<u>\$ 114,062</u>

Note 10 – Description of program services

Prevention Programs – Administer the Incredible Years, Strengthening Families Program 6-11, Circle of Parents and NC Nurse-Family Partnership Initiative by offering coaching, implementation support, technical assistance, pre-service training, professional networks, sustainability, and leadership development. Cultivate a Prevention Network to advocate for community-based prevention organizations, promote evidence-based programs and protect children from child sexual abuse.

Public Education - Statewide public awareness campaigns are designed to help communities understand the impact of child maltreatment and the importance of children’s healthy growth and development. Communities are provided with parenting materials, toolkits, statistics and research, information about access to parent support, an 800-line for information and referral services, and information about how to recognize and respond to child maltreatment.

Training and Professional Development – Provide statewide trainings, consultation, professional network opportunities and biennial learning & leadership summit. Conduct trainings online, through webinars and in person throughout the year to increase knowledge about child abuse and neglect prevention, and engage professionals and child advocates to build professional skills.

Note 11 – Contingencies

The Organization receives grant funds. Such funds are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Organization.

The Organization has the usual obligations of a contractor for performance in connection with contracts for work performed and to be performed. Management does not anticipate any significant losses in connection with these grants.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2012

Note 12 – Retirement plan

The Organization provides retirement benefits to its participating employees through a defined contribution plan. The Organization contributes four percent of each participant's eligible compensation to the plan. Contributions to the plan during the year ended June 30, 2013 and 2012 were \$29,903 and \$29,630, respectively.

Note 13 – Accrued paid time off

The Organization has a leave policy in which employees are allowed to carry over 10 days of accrued leave into the subsequent year. Accrued paid time off was \$26,196 and \$25,443 as of June 30, 2013 and 2012, respectively.

Note 14 - Line of credit

The Organization maintains a line of credit with Paragon Commercial Bank of \$75,000 which is unsecured. Advances under this agreement require interest payments monthly at prime rate plus 2% with a floor of 5%. Principal balances advanced will be due in full on January 5, 2014. At June 30, 2013 and 2012, there was no outstanding balance on the line of credit.

The Organization maintains a line of credit with PNC Bank of \$15,000 which is unsecured. Advances under this agreement are payable monthly at 1.5% of the outstanding principal plus interest at prime rate plus 5%. At June 30, 2013 and 2012, there was no outstanding balance on the line of credit. Subsequent to year end, the Organization closed this line of credit.

Note 15 – Subsequent events

The Organization has evaluated subsequent events (events occurring after) through November 27, 2013, which is the date the financial statements were available to be issued.

As discussed in Note 14, the Organization closed the line of credit with PNC Bank on October 10, 2013.

Note 16 – Prior period adjustment

The opening balance of net assets has been restated to correct the classification of net assets in the 2012 and 2011 financial statements. The effect on amounts reported in those financial statements is as follows:

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2013 and 2012

Note 16 – Prior period adjustment (continued)

2012

Temporarily restricted net assets previously reported	\$ -
Increase for inclusion of temporarily restricted revenue	<u>482,173</u>
Temporarily restricted net assets at June 30, 2012 as restated	<u><u>\$ 482,173</u></u>

Deferred revenue as previously reported	\$ 587,740
Decrease for exclusion of temporarily restricted revenue	<u>(482,173)</u>
Deferred revenue at June 30, 2012 as restated	<u><u>\$ 105,567</u></u>

Grant revenue as previously reported	\$ 622,297
Increase for inclusion in temporarily restricted revenue	<u>482,173</u>
Grant revenue at June 30, 2012 as restated	<u><u>\$ 1,104,470</u></u>

2011

Temporarily restricted net assets previously reported	\$ -
Increase for inclusion of temporarily restricted revenue	<u>60,159</u>
Temporarily restricted net assets at June 30, 2011 as restated	<u><u>\$ 60,159</u></u>

Deferred revenue as previously reported	\$ 85,980
Decrease for exclusion of temporarily restricted revenue	<u>(60,159)</u>
Deferred revenue at June 30, 2011 as restated	<u><u>\$ 25,821</u></u>

Grant revenue as previously reported	\$ 987,013
Increase for inclusion in temporarily restricted revenue	<u>60,159</u>
Grant revenue at June 30, 2011 as restated	<u><u>\$ 1,047,172</u></u>

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
Raleigh, North Carolina

Compliance Section

Year Ended June 30, 2013



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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
Prevent Child Abuse, North Carolina Inc.
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Prevent Child Abuse, North Carolina Inc. (the "Organization"), as of and for the year ended June 30, 2013 and the related notes to the financial statements, and have issued our report thereon dated November 27, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 entity's 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 over financial reporting 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 or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization'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*.

We noted certain matters that we reported to management of Prevent Child Abuse, North Carolina Inc. in a separate letter dated November 27, 2013.

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 entity'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.

James S. Gibbs CA, PCC

Durham North Carolina
November 27, 2013



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Certified Public Accountants
and Consultants

Independent Auditor's Report On Compliance For Each Major Program And On
Internal Control Over Compliance In
Accordance With Applicable Sections Of OMB Circular A-133

To the Board of Directors
Prevent Child Abuse, North Carolina Inc.
Raleigh, North Carolina

Report on Compliance for Each Major Federal Program

We have audited the compliance of Prevent Child Abuse, North Carolina Inc., (the "Organization") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a material effect on its major federal program for the year ended June 30, 2013. The Organization's major federal program is identified in the summary of auditors' 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 major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133 and the State Single Audit Implementation Act 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 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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management 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 Organization's internal control over compliance with requirements that could have a direct and material effect on a 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 applicable sections of OMB Circular A-133, 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 Organization'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 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 the Organization's internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Thomas S. Gibbs CA, PLLC

Durham, North Carolina
November 27, 2013

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>CFDA</u>	<u>Expenditures</u>
Federal Awards		
Pass-through Awards from North Carolina Division of Social Services:		
Strengthen Child Maltreatment Prevention	93.590	\$ 501,013
Learning & Leadership Summit	93.590	<u>110,617</u>
Subtotal - Division of Social Services		<u>611,630</u>
Pass-through Awards from Governor's Crime Commission:		
Child Maltreatment Spanish Project	93.643	<u>34,705</u>
Subtotal - Governor's Crime Commission		<u>34,705</u>
Total Federal Awards		<u><u>\$ 646,335</u></u>

Notes to the Schedule of Expenditures of Federal Awards:

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the grant activity of Prevent Child Abuse, North Carolina Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

PREVENT CHILD ABUSE, NORTH CAROLINA INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2013

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ Yes <u> X </u> No
• Significant deficiency(s) identified that are not considered material weaknesses?	_____ Yes <u> X </u> No
Noncompliance material to financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

Type of auditors’ report issued on compliance for major program:	Unmodified
Internal control over major federal programs:	
• Material weakness(es) identified?	_____ Yes <u> X </u> No
• Significant deficiency(s) identified that are not considered material weaknesses?	_____ Yes <u> X </u> No
Noncompliance material to federal awards?	_____ Yes <u> X </u> No
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____ Yes <u> X </u> No

Identification of major programs:

<u>CFDA#</u>	<u>Program Name</u>
93.590	Strength Child Maltreatment Prevention
93.590	Learning & Leadership Summit

Dollar threshold used to distinguish between Type A and Type B Programs	\$ <u> 300,000 </u>
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Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No
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PREVENT CHILD ABUSE, NORTH CAROLINA INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Corrective Action Plan

Not applicable.

Section V – Schedule of Prior Year Audit Findings

Not applicable.