

Child Protection Center, Inc.

Financial Statements and
Independent Auditor's Report
June 30, 2022 and 2021

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Independent Auditor's Report

The Board of Directors
Child Protection Center, Inc.
Sarasota, Florida

Opinion

We have audited the financial statements of Child Protection Center, Inc. (the Center), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Center as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years 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 (GAAS). 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 the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 GAAS 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, 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 the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Kukuing Barbino & Co.

Sarasota, Florida
October 19, 2022

Child Protection Center, Inc.

Statements of Financial Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,077,605	\$ 3,000,302
Grant and contract receivables	321,912	239,667
Prepaid expenses and other current assets	4,670	6,041
Total current assets	<u>3,404,187</u>	<u>3,246,010</u>
Property and equipment, net	5,385,622	3,622,331
Investments	978,829	1,180,142
Deposits	6,284	4,932
Total Assets	<u>\$ 9,774,922</u>	<u>\$ 8,053,415</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 45,127	\$ 4,637
Accrued expenses	68,217	74,088
Current portion of note payable	55,684	301,900
Total current liabilities	<u>169,028</u>	<u>380,625</u>
Note payable, net of current portion	<u>733,061</u>	<u>-</u>
Total Liabilities	<u>902,089</u>	<u>380,625</u>
Net Assets:		
Without donor restrictions	7,666,421	6,309,258
Without donor restrictions - board-designated endowment	990,772	1,191,111
Total net assets without donor restrictions	<u>8,657,193</u>	<u>7,500,369</u>
With donor restrictions	<u>215,640</u>	<u>172,421</u>
Total Net Assets	<u>8,872,833</u>	<u>7,672,790</u>
Total Liabilities and Net Assets	<u>\$ 9,774,922</u>	<u>\$ 8,053,415</u>

See accompanying notes to financial statements.

Child Protection Center, Inc.

Statement of Activities

Year Ended June 30, 2022

(With Summarized Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues and support:				
Federal and state contracts	\$ 1,104,986	\$ -	\$ 1,104,986	\$ 1,089,209
County government grants	265,155	-	265,155	245,345
United Way	21,502	-	21,502	24,667
Foundations and private grants	301,508	215,640	517,148	323,773
Contributions	1,657,949	-	1,657,949	1,366,884
Contributions - in-kind	12,566	-	12,566	16,105
Investment return, net	(201,167)	-	(201,167)	275,560
Special events, net of special event expenses of \$87,897	371,696	-	371,696	208,082
Other income	307,270	-	307,270	9,189
Client fees	25,038	-	25,038	9,679
Net assets released from restriction	172,421	(172,421)	-	-
Total revenues and support	4,038,924	43,219	4,082,143	3,568,493
Expenses:				
Program services:				
Intervention	1,159,645	-	1,159,645	1,090,050
Prevention and education	357,813	-	357,813	329,624
Treatment	875,994	-	875,994	806,339
Total program services	2,393,452	-	2,393,452	2,226,013
Supporting services:				
Management and general	94,503	-	94,503	157,078
Fundraising	394,145	-	394,145	277,914
Total supporting services	488,648	-	488,648	434,992
Total expenses	2,882,100	-	2,882,100	2,661,005
Loss on disposal of property	-	-	-	(5,605)
Change in net assets	1,156,824	43,219	1,200,043	901,883
Net assets, beginning of year	7,500,369	172,421	7,672,790	6,770,907
Net assets, end of year	\$ 8,657,193	\$ 215,640	\$ 8,872,833	\$ 7,672,790

See accompanying notes to financial statements.

Child Protection Center, Inc.

Statement of Activities

Year Ended June 30, 2021

(With Summarized Totals for 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2022 Total</u>
Revenues and support:				
Federal and state contracts	\$ 1,089,209	\$ -	\$ 1,089,209	\$ 1,104,986
County government grants	245,345	-	245,345	265,155
United Way	24,667	-	24,667	21,502
Foundations and private grants	154,948	168,825	323,773	517,148
Contributions	1,366,884	-	1,366,884	1,657,949
Contributions - in-kind	16,105	-	16,105	12,566
Investment return, net	275,560	-	275,560	(201,167)
Special events, net of special event expenses of \$78,893	208,082	-	208,082	371,696
Other income	9,189	-	9,189	307,270
Client fees	9,679	-	9,679	25,038
Net assets released from restriction	175,027	(175,027)	-	-
Total revenues and support	<u>3,574,695</u>	<u>(6,202)</u>	<u>3,568,493</u>	<u>4,082,143</u>
Expenses:				
Program services:				
Intervention	1,090,050	-	1,090,050	1,159,645
Prevention and education	329,624	-	329,624	357,813
Treatment	806,339	-	806,339	875,994
Total program services	<u>2,226,013</u>	<u>-</u>	<u>2,226,013</u>	<u>2,393,452</u>
Supporting services:				
Management and general	157,078	-	157,078	94,503
Fundraising	277,914	-	277,914	394,145
Total supporting services	<u>434,992</u>	<u>-</u>	<u>434,992</u>	<u>488,648</u>
Total expenses	<u>2,661,005</u>	<u>-</u>	<u>2,661,005</u>	<u>2,882,100</u>
Loss on disposal of property	<u>(5,605)</u>	<u>-</u>	<u>(5,605)</u>	<u>-</u>
Change in net assets	908,085	(6,202)	901,883	1,200,043
Net assets, beginning of year	6,592,284	178,623	6,770,907	7,672,790
Net assets, end of year	<u>\$ 7,500,369</u>	<u>\$ 172,421</u>	<u>\$ 7,672,790</u>	<u>\$ 8,872,833</u>

See accompanying notes to financial statements.

Child Protection Center, Inc.
Statement of Functional Expenses
Year Ended June 30, 2022
(With Summarized Totals for 2021)

	<u>Program Services</u>			<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
	<u>Intervention</u>	<u>Prevention and Education</u>	<u>Treatment</u>					
Personnel and contractual:								
Program directors/coordinator	\$ 402,466	\$ 179,476	\$ 73,695	\$ 655,637	\$ -	\$ -	\$ 655,637	\$ 624,984
Administrative/clerical	121,568	27,160	129,973	278,701	19,599	246,799	545,099	543,758
Medical/psychological/therapist	107,726	-	277,433	385,159	-	-	385,159	382,988
Accountant	60,800	20,287	55,714	136,801	9,411	8,860	155,072	149,222
Fringe benefits and payroll taxes	143,996	52,464	117,866	314,326	7,914	53,698	375,938	370,850
Total personnel and contractual	<u>836,556</u>	<u>279,387</u>	<u>654,681</u>	<u>1,770,624</u>	<u>36,924</u>	<u>309,357</u>	<u>2,116,905</u>	<u>2,071,802</u>
Other expenses:								
Audit	9,000	3,375	7,875	20,250	1,075	1,725	23,050	25,917
Bank and credit card fees	313	-	-	313	2,090	-	2,403	3,822
Payroll related expenses	12,142	4,553	10,624	27,319	3,035	-	30,354	30,294
Equipment rental and maintenance	24,027	7,565	19,982	51,574	5,841	214	57,629	53,795
Advertising and promotion	4,753	3,211	1,659	9,623	569	34,910	45,102	17,449
Travel and conferences	10,150	4,617	8,815	23,582	281	1,141	25,004	10,946
Occupancy	54,104	-	26,963	81,067	4,791	-	85,858	78,078
Telephone	11,632	2,271	6,959	20,862	1,520	600	22,982	20,521
Supplies, office and postage	18,134	2,391	22,305	42,830	2,398	5,358	50,586	40,193
Printing and materials	24,586	23,339	13,464	61,389	1,295	4,078	66,762	35,312
Insurance	15,654	4,294	12,265	32,213	3,119	72	35,404	34,695
Meals and entertainment	1,263	9	244	1,516	1,499	619	3,634	1,479
Dues and subscriptions	2,384	626	3,049	6,059	286	10,337	16,682	19,035
Miscellaneous	5,225	845	2,044	8,114	3,560	20,218	31,892	26,245
Depreciation	45,047	11,262	39,416	95,725	16,891	-	112,616	90,927
Building expense	60,754	8,105	32,009	100,868	7,014	69	107,951	85,106
Professional fees	11,132	1,963	6,754	19,849	2,293	5,447	27,589	15,389
Interest expense	12,789	-	6,886	19,675	22	-	19,697	-
Total other expenses	<u>323,089</u>	<u>78,426</u>	<u>221,313</u>	<u>622,828</u>	<u>57,579</u>	<u>84,788</u>	<u>765,195</u>	<u>589,203</u>
Total functional expenses	<u>\$ 1,159,645</u>	<u>\$ 357,813</u>	<u>\$ 875,994</u>	<u>\$ 2,393,452</u>	<u>\$ 94,503</u>	<u>\$ 394,145</u>	<u>\$ 2,882,100</u>	<u>\$ 2,661,005</u>

See accompanying notes to financial statements.

Child Protection Center, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021
(With Summarized Totals For 2022)

	Program Services			Total Program Services	Management and General	Fundraising	2021 Total	2022 Total
	Intervention	Prevention and Education	Treatment					
Personnel and contractual:								
Program directors/coordinator	\$ 396,227	\$ 167,129	\$ 61,628	\$ 624,984	\$ -	\$ -	\$ 624,984	\$ 655,637
Administrative/clerical	129,199	28,131	130,564	287,894	55,964	199,900	543,758	545,099
Medical/psychological/therapist	114,071	-	268,917	382,988	-	-	382,988	385,159
Accountant	58,626	18,376	52,722	129,724	19,498	-	149,222	155,072
Fringe benefits and payroll taxes	150,474	56,970	108,305	315,749	11,849	43,252	370,850	375,938
Total personnel and contractual	848,597	270,606	622,136	1,741,339	87,311	243,152	2,071,802	2,116,905
Other expenses:								
Audit	10,265	2,891	8,982	22,138	3,779	-	25,917	23,050
Bank and credit card fees	118	-	-	118	3,704	-	3,822	2,403
Payroll related expenses	12,118	4,544	10,603	27,265	3,029	-	30,294	30,354
Equipment rental and maintenance	22,313	7,325	18,688	48,326	5,322	147	53,795	57,629
Advertising and promotion	2,720	3,015	2,380	8,115	680	8,654	17,449	45,102
Travel and conferences	5,733	173	5,162	11,068	129	-251	10,946	25,004
Occupancy	52,848	-	25,230	78,078	-	-	78,078	85,858
Telephone	10,353	2,141	6,413	18,907	1,164	450	20,521	22,982
Supplies, office and postage	13,734	4,505	14,044	32,283	2,500	5,410	40,193	50,586
Printing and materials	7,680	12,745	10,974	31,399	1,665	2,248	35,312	66,762
Insurance	14,022	4,447	12,017	30,486	4,137	72	34,695	35,404
Meals and entertainment	558	103	219	880	175	424	1,479	3,634
Dues and subscriptions	1,412	297	4,630	6,339	2,434	10,262	19,035	16,682
Miscellaneous	3,428	437	3,155	7,020	17,027	2,198	26,245	31,892
Depreciation	36,371	9,093	31,824	77,288	13,639	-	90,927	112,616
Building expense	45,169	6,813	24,241	76,223	8,736	147	85,106	107,951
Professional fees	2,611	489	5,641	8,741	1,647	5,001	15,389	27,589
Interest expense	-	-	-	-	-	-	-	19,697
Total other expenses	241,453	59,018	184,203	484,674	69,767	34,762	589,203	765,195
Total functional expenses	\$ 1,090,050	\$ 329,624	\$ 806,339	\$ 2,226,013	\$ 157,078	\$ 277,914	\$ 2,661,005	\$ 2,882,100

See accompanying notes to financial statements.

Child Protection Center, Inc.

Statements of Cash Flows Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,200,043	\$ 901,883
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	112,616	90,927
Forgiveness of Paycheck Protection Program loan	(288,297)	-
Realized and unrealized (gain) loss on investments, net	230,482	(245,397)
Loss on disposal of property	-	5,605
Change in operating assets:		
Grant and contract receivables	(82,245)	(74,931)
Prepaid expenses and other current assets	1,371	6,031
Deposits	(1,352)	762
Change in operating liabilities:		
Accounts payable	40,490	(3,295)
Accrued expenses	(5,871)	74,088
Net cash provided by operating activities	<u>1,207,237</u>	<u>755,673</u>
Cash Flows from Investing Activities:		
Purchases of property and equipment	(915,407)	-
Purchases of investments	(622,937)	(432,561)
Proceeds from sales of investments	593,768	417,520
Redemption of certificate of deposit	-	800,000
Net cash provided by (used in) investing activities	<u>(944,576)</u>	<u>784,959</u>
Cash Flows from Financing Activities:		
Payments on note payable	(185,358)	-
Net cash used in financing activities	<u>(185,358)</u>	<u>-</u>
Net change in cash and cash equivalents	77,303	1,540,632
Cash and cash equivalents, beginning of year	3,000,302	1,459,670
Cash and cash equivalents, end of year	<u>\$ 3,077,605</u>	<u>\$ 3,000,302</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 19,538	-
Acquisition of property and equipment with note payable	\$ 960,500	-

See accompanying notes to financial statements.

Child Protection Center, Inc.

Notes to Financial Statements

June 30, 2022 and 2021

I. Organization

Child Protection Center, Inc. (the Center) is a not-for-profit corporation incorporated on July 15, 1981, and located in Sarasota, Florida. The Center administers a variety of programs with the goal of preventing, intervening in and treating child abuse consistent with their stated vision: "We envision a community where children are safe from abuse and free to thrive." Services are provided primarily to individuals who reside in the greater Sarasota region of Florida.

2. Summary of Significant Accounting Policies

Financial Statements

The financial statements and notes are representations of the Center's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

Basis of Presentation

A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Net assets without donor restrictions - Contributions and other inflows of assets that are not subject to donor-imposed stipulations but may be designated for specific purposes by action of the Board of Directors (the Board). Net assets without donor restrictions include expendable funds available to support operations as well as net assets invested in property and equipment.

Net assets with donor restrictions - Contributions and other inflows of assets subject to donor-imposed stipulations that may or will be met by actions of the Center or the passage of time or are permanently maintained by the Center. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and reported in the accompanying Statement of Activities and changes in net assets as net assets released from restriction.

Cash and Cash Equivalents

The Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents held for the board-designated endowment are excluded from this definition.

Child Protection Center, Inc.
Notes to Financial Statements (Continued)
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Grant and Contracts Receivable

Grant and contract receivables relate to amounts due to the Center from federal, state and local contracts relating to the Center's intervention, prevention, education and treatment programs. Management determines the appropriateness of an allowance for bad debts based upon its review of existing receivables and historical collections by individual agencies. Management considers all grants and contracts due to be fully collectible. Therefore, no allowance for uncollectible grant and contracts has been recorded in the accompanying financial statements.

Property and Equipment

Property and equipment are carried at cost if purchased or at estimated fair market value at date of receipt if acquired by gift, less accumulated depreciation. Expenditures in excess of \$1,500 with estimated useful lives greater than one year are capitalized.

Depreciation on all property and equipment is calculated by the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and improvements	12-39
Equipment	5-7
Furniture	7
Playground equipment	15

Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of the asset are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred. Upon retirement, sale or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included within the statement of activities.

Property acquired with government funds is considered to be owned by the Center while used in the program for which it was purchased or in future authorized programs; however, its disposition and the ownership of any proceeds are subject to applicable regulations.

The Center evaluates the recoverability of its buildings and improvements and equipment whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than previously anticipated. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. Management believes no indication of impairment existed at June 30, 2022 and 2021.

Investments

Investments are valued at their estimated fair values in the accompanying statement of financial position. Investment return is reported in the statement of activities and consists of interest and dividend income and realized and unrealized gains and losses net of investment expenses. All investments are classified as long-term, as the Center does not intend to use the investments for current operations.

Child Protection Center, Inc.
Notes to Financial Statements (Continued)
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition

A significant portion of the Center's revenue is derived from agreed upon rates for service or cost-reimbursement federal and state contracts and grants. Cost reimbursement contracts and grants are conditional upon certain performance requirements or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions.

Contributions and Recognition of Donor Restrictions

The Center recognizes contributions received, including unconditional promises to give, as assets and revenue in the period received at their fair values. All contributions are considered to be increases in net assets without donor restrictions and available for use unless specifically restricted by the donor. Gifts of cash and other assets are reported as net assets with donor restrictions support if they are received with donor stipulations that limit the use of such assets.

When donor restrictions expire, 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 restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the contributions are received.

Contributed Nonfinancial Assets

The Center receives nonfinancial assets in the form of services such as advertising and printing services provided at no cost for the benefit of the Center and its programs. Donations of services are recorded as support at their estimated fair value if the services received create or enhance nonfinancial assets or the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The services provided are included as Contributions – in-kind on the accompanying Statement of Activities. The fair value is estimated based on the cost of the services if they had been purchased. There are no donor-imposed restrictions on the Center's contributed nonfinancial assets as of the year ended June 30, 2022 and 2021.

Contributions – in-kind for the years ended June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Advertising	\$ 11,012	\$ 10,448
Services	-	4,457
Other	1,554	1,200
Total Contributions – in-kind	<u>\$ 12,566</u>	<u>\$ 16,105</u>

Donations of materials are recorded as support at the estimated fair market value at the date of donation. A number of full and part-time volunteers have made contributions of their time to maintain the Center's programs. The estimated value of this contributed time is not reflected in these financial statements since these services do not meet recognition requirements under U.S. GAAP.

Child Protection Center, Inc.
Notes to Financial Statements (Continued)
June 30, 2022 and 2021

2. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to that program or service according to their natural classification. Certain other costs have been allocated among the programs and supporting services benefited. Personnel and contractual expenses, audit, payroll related expenses, equipment rental and maintenance, advertising and promotion, travel and conferences, occupancy, telephone, supplies, office and postage, printing and materials, insurance, meals and entertainment, dues and subscriptions, miscellaneous, depreciation, building expense and professional fees may contain allocations based on time and effort, square footage and direct charges. Management and general expenses that are not directly allocable are allocated based on their estimated time and effort in each program or supporting service.

Income Tax

The Center is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes except for net revenue from unrelated business activities. As such, no provision for income tax expense has been made in the accompanying financial statements.

The Center recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination of the taxing authorities. Management evaluated the Center's tax positions and concluded that the Center had no material uncertainties in income taxes as of June 30, 2022 and 2021.

The Center files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Center is subject to include fiscal years ended June 30, 2019 through June 30, 2022.

Financial Instruments Not Measured at Fair Value

Certain of the Center's financial instruments are not measured at fair value on a recurring basis, but nevertheless certain financial instruments are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash and cash equivalents, grant and contract receivables, prepaid expenses and other current assets, accounts payable and accrued expenses.

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which was adopted by the Center for the year ended June 30, 2022. The ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets and requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The adoption of this update did not have a material impact on the financial statements of the Center.

Child Protection Center, Inc.
Notes to Financial Statements (Continued)
June 30, 2022 and 2021

3. Liquidity and Availability

The following represents the Center's financial assets as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,077,605	\$ 3,000,302
Grant and contract receivables	321,912	239,667
Investments	978,829	1,180,142
Total financial assets	<u>4,378,346</u>	<u>4,420,111</u>
Less: Amounts unavailable to be used within one year:		
Net assets with donor restrictions to be met in less than a year	(215,640)	(172,421)
Board-designated endowment	<u>(990,772)</u>	<u>(1,191,111)</u>
	<u>(1,206,412)</u>	<u>(1,363,532)</u>
Financial assets available to meet general expenditures within one year	\$ <u>3,171,934</u>	\$ <u>3,056,579</u>

The Center maintains a policy of structuring its financial assets to be available as its general expenditures and other obligations come due. As part of its liquidity plan, excess cash is invested in short-term investments, including money market funds, fixed income mutual funds and equity mutual funds.

The board-designated endowment fund was established by the Board to provide future support to the Center by providing regular, predictable operating income that will help fill gaps caused by increasing costs, demands and the possibility of diminishing government support and fluctuating donation and grant revenue. Management expects the principal to be preserved; however, as of June 30, 2022 and 2021, the Center has approximately \$990,772 and \$1,191,000, respectively, in resources that could be available upon approval of the Board to provide support for the Center's programs and facilities. See Note 10.

4. Investments

Investments consisted of the following as of June 30:

	<u>Market Value</u>	
	<u>2022</u>	<u>2021</u>
Money market fund	\$ 56,368	\$ 17,950
Fixed income funds	262,223	315,074
Equities	660,238	847,118
	<u>\$ 978,829</u>	<u>\$ 1,180,142</u>

Return from investments is summarized as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 35,553	\$ 35,957
Realized and unrealized gain (loss)	(230,482)	245,397
Investment fees	(6,238)	(5,794)
Investment return, net	<u>\$ (201,167)</u>	<u>\$ 275,560</u>

Child Protection Center, Inc.
Notes to Financial Statements (Continued)
June 30, 2022 and 2021

5. Property and Equipment

Costs and accumulated depreciation of property and equipment are summarized as of June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 2,921,197	\$ 2,223,000
Building and improvements	3,063,023	1,885,314
Equipment	432,785	432,785
Furniture	179,395	179,395
Playground equipment	178,909	178,909
	<u>6,775,309</u>	<u>4,899,403</u>
Less accumulated depreciation	<u>(1,389,687)</u>	<u>(1,277,072)</u>
	<u>\$ 5,385,622</u>	<u>\$ 3,622,331</u>

Depreciation expense for the years ended June 30, 2022 and 2021, totaled \$112,616 and \$90,927, respectively.

6. Fair Value Measurements

The Center defines fair value in accordance with U.S. GAAP, which specifies a hierarchy of valuation techniques. The hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs. The Center measures investments at fair value on a recurring basis.

The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs, other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, certain hedge funds, private equity and other). The inputs reflect the Center's assumptions based on the best information available in the circumstance.

The Center evaluates the various types of financial assets and liabilities to determine the appropriate fair value hierarchy based upon trading activity and the observability of market inputs. The Center employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimates based on prices and quotes obtained from independent third-party sources.

While the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the report date.

During the years ended June 30, 2022 and 2021, there were no changes to the Center's valuation techniques that had, or are expected to have, a material impact on its statements of financial position or activities.

Child Protection Center, Inc.
Notes to Financial Statements (Continued)
June 30, 2022 and 2021

6. Fair Value Measurements (Continued)

A review of fair value hierarchy classifications is conducted on an annual basis. The following table provides information about the Center's investments measured at estimated fair value on a recurring basis as of June 30, 2022 and 2021:

Description	June 30, 2022	Level 1	Level 2	Level 3
Assets at Fair Value:				
Investments:				
Money market fund	\$ 56,368	\$ 56,368	\$ -	\$ -
Fixed income - mutual funds	173,086	173,086	-	-
Fixed income - exchange-traded funds	89,137	89,137	-	-
Equities - stocks	78,896	78,896	-	-
Equities - exchange-traded funds	290,500	290,500	-	-
Equities - mutual funds	290,842	290,842	-	-
Total investments at fair value	<u>\$ 978,829</u>	<u>\$ 978,829</u>	<u>\$ -</u>	<u>\$ -</u>

Description	June 30, 2021	Level 1	Level 2	Level 3
Assets at Fair Value:				
Investments:				
Money market fund	\$ 17,950	\$ 17,950	\$ -	\$ -
Fixed income - mutual funds	250,656	250,656	-	-
Fixed income - exchange-traded funds	64,418	64,418	-	-
Equities - stocks	209,227	209,227	-	-
Equities - exchange-traded funds	257,241	257,241	-	-
Equities - mutual funds	380,650	380,650	-	-
Total investments at fair value	<u>\$ 1,180,142</u>	<u>\$ 1,180,142</u>	<u>\$ -</u>	<u>\$ -</u>

7. Debt

Note Payable

In December 2021, the Center entered into a note payable to a bank for \$960,500, payable in monthly payments over a 10-year period in the amount of \$6,924, including interest at 3.57%. The final payment, including all outstanding principal plus accrued interest, shall be due December 15, 2031. The proceeds of the loan were used to purchase a building in North Port, FL. The Center is subject to prepayment penalties for payments over 20% of the principal balance as of January 1st of the calendar year in which the payment is made. The note payable is secured by a security interest in the real property purchased with the proceeds of the loan. The amount outstanding on the note payable as of June 30, 2022 and 2021 is \$788,745 and \$0, respectively. Future payments of principal on the mortgage as of June 30, 2022 are as follows:

2023	\$ 55,684
2024	57,705
2025	59,799
2026	61,970
2027	64,218
Thereafter	489,369
	<u>\$ 788,745</u>

Child Protection Center, Inc.
Notes to Financial Statements (Continued)
June 30, 2022 and 2021

7. Debt (Continued)

Paycheck Protection Program Loan

On April 20, 2020, the Center was granted a loan pursuant to the Paycheck Protection Program (PPP Loan) established as part of the Coronavirus Aid, Relief and Economics Security Act (CARES Act) in the aggregate amount of \$301,900. The loan bore interest at 1% per annum and was payable monthly commencing November 17, 2020. Principal payments for the full amount of the loan are due in the year ending June 30, 2022. Under the terms of the loan, certain amounts may be forgiven if they are used for qualifying expenses, as described in the CARES Act. Qualifying expenses including payroll costs, continuation of health care benefits, mortgage payments, rent, utilities and interest on other debt obligation.

On July 21, 2021, the Center was notified that \$288,297 of the PPP Loan described above was forgiven. Accordingly, the forgiven principal amount of \$288,297 was included in other income on the accompanying statement of activities during the year ended June 30, 2022. The Center paid the remaining principal of the loan in the amount of \$13,603 on August 10, 2021.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions as shown on the statements of financial position consisted of the following at June 30:

Subject to expenditure for specified purpose:	<u>2022</u>	<u>2021</u>
Supervised Visitation Program	\$ 6,270	\$ 13,596
Personal Safety and Community Awareness	11,000	99,037
Sexual Abuse Treatment Program	38,000	50,000
Child Protection Team Program	54,430	-
Child Protection Center programs	105,940	9,788
Total purpose restrictions	<u>\$ 215,640</u>	<u>\$ 172,421</u>

9. Net Assets Released from Restriction

Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donor for the years ended June 30 are for the following:

Satisfaction of purpose restrictions:	<u>2022</u>	<u>2021</u>
Supervised Visitation Program	\$ 13,596	\$ 5,429
Personal Safety and Community Awareness	99,037	79,598
Sexual Abuse Treatment Program	50,000	-
Child Protection Center programs	9,788	90,000
Total net assets released from restrictions	<u>\$ 172,421</u>	<u>\$ 175,027</u>

10. Endowment Funds

The Center's endowment fund (endowment) includes net assets without donor restriction designated for endowment by the Board to provide future support to the Center. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. There are no donor-imposed restrictions on the endowment as of June 30, 2022 and 2021.

Child Protection Center, Inc.
Notes to Financial Statements (Continued)
June 30, 2022 and 2021

10. Endowment Funds (Continued)

The Center considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the endowment fund
- The purposes of the Center and the endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Center
- The investment policy of the Center

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of endowment assets.

Under these policies, as approved by the Board, endowment assets will be invested in a manner that is intended to protect against loss associated with a single security, industry, issuer or event which focuses on a strategic allocation of portfolio assets across broadly defined financial asset and sub asset categories with varying degrees of risk, return and return correlation.

Strategies Employed for Achieving Objectives

To satisfy its long-term, rate-of-return objectives, the Center will rely on a total return strategy whereby investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center will target a diversified asset allocation.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Center has an overall goal to increase the endowment to approximately \$3 million. Endowment funds shall be used to provide perpetual financial support to the Center. The Center's policy does not prohibit spending from underwater endowment funds if it is necessary, although it has been management's practice not to do so.

At the direction of the Board, an annual payout of 4% applied to the smoothed, average market value of the endowed assets, to support approved strategic initiatives of the Center will be determined each fiscal year. In addition, a reasonable allocation of general overhead expenses may be charged to the endowment fund as a cost of administration in accordance with the U.S. GAAP. The allocation must be approved by the Board when it makes its annual affirmation of the 4% payout. During the years ended June 30, 2022 and 2021, the Center did not appropriate any earnings from endowment funds to current year operations.

Child Protection Center, Inc.
Notes to Financial Statements (Continued)
June 30, 2022 and 2021

10. Endowment Funds (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (Continued)

The Board reserves the right at its discretion to adjust the annual payout amount, but the adjusted payout may not exceed 6% in a given year. The Board may approve the adjusted annual payout with a super majority vote. For purposes of this resolution, a super majority shall mean more than 3/4 of the members of the Board of the Center present at the meeting considering such change. In no event may the board approve an annual payout greater than 6% unless the entire board unanimously approves the resolution to do so and the resolution is unanimously passed in two Board meetings at least 60 days apart.

The Board should, in general, and on a long-term basis, only approve a calculated payout ratio percentage, which when adjusted for anticipated expenses and inflation does not exceed the long-term expected return of the endowment's assets. The Board believes that this rate will provide sufficient income while preserving principal. In the event the Board does not set a payout ratio, no funds from the endowment may be spent until such time as the Board affirms a payout ratio.

Endowment Net Asset Composition

Endowment net asset composition by type of fund is as follows as of June 30, 2022:

	Without Donor Restrictions
Donor restricted endowment funds	\$ -
Board-designated endowment funds	990,772
	\$ 990,772

Endowment net asset composition by type of fund is as follows as of June 30, 2021:

	Without Donor Restrictions
Donor restricted endowment funds	\$ -
Board-designated endowment funds	1,191,111
	\$ 1,191,111

Changes in Endowment Net Assets

Changes in endowment funds net assets for the year ended June 30, 2022, are as follows:

	Net Assets Without Donor Restrictions
Endowment net assets, beginning of year	\$ 1,191,111
Contributions	974
Investment return, net	(201,313)
Endowment net assets, end of year	\$ 990,772

Child Protection Center, Inc.
Notes to Financial Statements (Continued)
June 30, 2022 and 2021

10. Endowment Funds (Continued)
Changes in Endowment Net Assets (Continued)

Changes in endowment funds net assets for the year ended June 30, 2021, are as follows:

	Net Assets Without Donor Restrictions
Endowment net assets, beginning of year	\$ 920,713
Contributions	9,960
Investment return, net	260,438
Endowment net assets, end of year	\$ 1,191,111

11. Employee Benefit Plan

The Center has a 401(k) salary deferral plan covering substantially all of its employees. The Center makes a discretionary contribution to the plan, presently 7% of an employee's annual salary. For the years ended June 30, 2022 and 2021, the Center made contributions to the plan totaling \$100,240 and \$96,034, respectively.

12. Lease Commitments

The Center leases certain facilities and office equipment under operating lease agreements varying in length from one to three years and expiring in 2024.

Future minimum lease commitments for noncancelable operating leases are as follows for the year ending June 30:

2023	\$ 15,583
2024	882
	\$ 16,465

Lease expense for the years ended June 30, 2022 and 2021, were approximately \$85,858 and \$78,200, respectively.

13. Commitments and Contingencies

The Center routinely enters into grant agreements and contracts with government agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Center's program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Center's financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying financial statements.

14. Financial Instruments with Credit Risk and Economic Risk

Financial instruments, which potentially subject the Center to concentration of credit risk, consist of cash, cash equivalents and investments. The Federal Deposit Insurance Corporation (FDIC) insures cash and other deposits up to \$250,000 at each financial institution. At any given time, the Center may have cash balances exceeding the insured amount at any one financial institution. The Center has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Child Protection Center, Inc.
Notes to Financial Statements (Continued)
June 30, 2022 and 2021

14. Financial Instruments with Credit Risk and Economic Risk (Continued)

Investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Center's investments.

15. Funding and Credit Concentrations

Revenues: The Center receives a substantial portion of its support directly from federal, state and local government agencies or as pass-through government funding awards from other local agencies. Continuation of the Center's program services is greatly dependent upon the continued support of these agencies.

The Center received three grants from federal, state and county agencies that comprise approximately 28% and 36% of the total revenues for the years ended June 30, 2022 and 2021, respectively.

The Center also received 17% of total revenues from an individual donor for the year ended June 30, 2022.

16. Subsequent Events

The Center has evaluated all events subsequent to the statement of financial position date of June 30, 2022, through the date these financial statements were available for issuance, October 19, 2022, and has determined there are no subsequent events that require disclosure under the FASB Accounting Standards Codification.