

**NATIONAL ASSOCIATION TO PROTECT  
CHILDREN - EDUCATION FUND, INC.**

INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2018



CORLISS &  
SOLOMON  
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**National Association to Protect Children - Education Fund, Inc.**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
National Association to Protect Children-Education Fund, Inc.  
Knoxville, Tennessee

We have audited the accompanying financial statements of National Association to Protect Children-Education Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **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. 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 National Association to Protect Children-Education Fund, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the 2017 financial statements of National Association to Protect Children-Education Fund, Inc., and our report dated January 25, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carliss & Salaman, PLLC*

Asheville, North Carolina  
January 31, 2019

# National Association to Protect Children - Education Fund, Inc.

## Statement of Financial Position

As of September 30, 2018

(With summarized, comparative totals as of September 30, 2017)

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and Cash Equivalents	\$ 500,839	\$ 596,960
Grants Receivable	75,000	50,000
Contributions Receivable	-	250,000
Inventory	-	12,110
Prepaid Expenses	1,856	1,863
Total Current Assets	<u>577,695</u>	<u>910,933</u>
<b><u>Long-Term Assets</u></b>		
Property and Equipment, Net	<u>6,236</u>	<u>109,789</u>
Total Long-Term Assets	<u>6,236</u>	<u>109,789</u>
<b>Total Assets</b>	<b><u>\$ 583,931</u></b>	<b><u>\$ 1,020,722</u></b>
<b><u>Liabilities and Net Assets</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 10,258	\$ 37,742
Payroll Tax Liabilities	<u>4,123</u>	<u>4,444</u>
Total Current Liabilities	<u>14,381</u>	<u>42,186</u>
<b><u>Net Assets</u></b>		
Unrestricted	215,521	422,975
Temporarily Restricted	<u>354,029</u>	<u>555,561</u>
Total Net Assets	<u>569,550</u>	<u>978,536</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 583,931</u></b>	<b><u>\$ 1,020,722</u></b>

*The accompanying notes are an integral part of these financial statements.*

# National Association to Protect Children - Education Fund, Inc.

## Statement of Activities

Year Ended September 30, 2018

(With summarized, comparative totals for the prior year)

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total 2018</b>	<b>Total 2017</b>
<b>Support</b>				
Grants	\$ 96,000	\$ 110,000	\$ 206,000	\$ 466,600
Contributions	216,808	347,751	564,559	867,505
In Kind Contributions	-	25,000	25,000	50,000
Other Income	42	-	42	(352)
Loss on Asset Disposal	(18,867)	-	(18,867)	-
Net Assets Released from Restriction	684,283	(684,283)	-	-
<b>Total Support</b>	<b>978,266</b>	<b>(201,532)</b>	<b>776,734</b>	<b>1,383,753</b>
<b>Expenses</b>				
Program Services	1,012,297	-	1,012,297	981,980
Management and General	108,213	-	108,213	99,694
Fundraising	65,210	-	65,210	50,495
<b>Total Expenses</b>	<b>1,185,720</b>	<b>-</b>	<b>1,185,720</b>	<b>1,132,169</b>
Change in Net Assets	(207,454)	(201,532)	(408,986)	251,584
Net Assets, Beginning of Year	422,975	555,561	978,536	726,952
<b>Net Assets, End of Year</b>	<b>\$ 215,521</b>	<b>\$ 354,029</b>	<b>\$ 569,550</b>	<b>\$ 978,536</b>

*The accompanying notes are an integral part of these financial statements.*

# National Association to Protect Children - Education Fund, Inc.

## Statement of Functional Expenses

Year Ended September 30, 2018

(With summarized, comparative totals for the prior year)

	<b>Program</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total 2018</b>	<b>Total 2017</b>
Wages	\$ 272,884	\$ 58,127	\$ 32,335	\$ 363,346	\$ 354,866
Payroll Taxes	20,143	4,420	2,395	26,958	26,357
Employee Benefits	28,714	6,314	3,241	38,269	35,227
<b>Total Personnel</b>	<b>321,741</b>	<b>68,861</b>	<b>37,971</b>	<b>428,573</b>	<b>416,450</b>
Bank Fees	-	18	946	964	2,275
Charitable Registrations	-	-	12,664	12,664	10,640
Database Service	5,351	323	9,358	15,032	10,918
H.E.R.O. Training	400,617	-	-	400,617	342,738
Insurance	-	3,008	-	3,008	5,462
Legislative Consulting	-	-	-	-	13,500
Meetings and Conferences	9,193	61	-	9,254	2,091
Office Supplies	9,107	4,966	230	14,303	3,758
Other Expenses	343	680	-	1,023	1,686
Postage and Delivery	291	267	192	750	3,673
Printing and Reproduction	891	31	19	941	1,921
Professional Services	78,879	25,722	-	104,601	85,917
Rent	6,276	796	971	8,043	7,935
Telephone and Internet	7,693	865	637	9,195	10,802
Travel	49,825	260	2,090	52,175	49,953
Website Maintenance	3,150	-	132	3,282	14,601
<b>Subtotal Expenses</b>	<b>893,357</b>	<b>105,858</b>	<b>65,210</b>	<b>1,064,425</b>	<b>984,320</b>
Depreciation Expense	93,940	2,355	-	96,295	97,849
Donated Supplies	25,000	-	-	25,000	50,000
<b>Total Expenses</b>	<b>\$ 1,012,297</b>	<b>\$ 108,213</b>	<b>\$ 65,210</b>	<b>\$ 1,185,720</b>	<b>\$ 1,132,169</b>

*The accompanying notes are an integral part of these financial statements.*

# National Association to Protect Children - Education Fund, Inc.

## Statement of Cash Flows

Year Ended September 30, 2018

(With summarized, comparative totals for the prior year)

	<u>2018</u>	<u>2017</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in Net Assets	\$ (408,986)	\$ 251,584
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:		
Depreciation Expense	96,295	97,849
Loss on Disposal of Assets	18,867	-
(Increase)/Decrease in Operating Assets		
Grants Receivable	(25,000)	-
Contributions Receivable	250,000	(250,000)
Prepaid Expenses	7	2,360
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(27,484)	22,519
Payroll Tax Liabilities	(320)	444
Net Cash Provided/(Used) by Operating Activities	<u>(96,621)</u>	<u>124,756</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of Equipment	-	(3,149)
Sale of Asset	500	-
Net Cash Provided/(Used) by Investing Activities	<u>500</u>	<u>(3,149)</u>
Net Change in Cash	(96,121)	121,607
Cash and Equivalents, Beginning of Year	<u>596,960</u>	<u>475,353</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 500,839</u></b>	<b><u>\$ 596,960</u></b>

*The accompanying notes are an integral part of these financial statements.*



# National Association to Protect Children - Education Fund, Inc.

## Notes to Financial Statements

Year Ended September 30, 2018

### 1. Description of Organization and Summary of Significant Accounting Policies

#### Description of the Organization

National Association to Protect Children-Education Fund, Inc., (NAPC-Education Fund) is a national pro-child, anti-crime non-profit association established in 2004. The organization works to protect children from physical, sexual and emotional abuse. The organization was founded on the belief that the first and most sacred obligation as parents, citizens, and members of the human species is the protection of children from abuse, exploitation and neglect.

NAPC-Education Fund provides the Weiss Center program for Child Rescue and Protection Technology and is dedicated to making the advancement of technology for child protection a 21<sup>st</sup> century priority. The Weiss Center program is focusing on its first major initiative, the H.E.R.O. Child Rescue Corps Program.

H.E.R.O. Child Rescue Corps (Human Exploitation Rescue Operatives) program was established to recruit and train former special operations forces, then embed them with law enforcement teams to hunt child predators and rescue children in danger.

#### Corporate and Tax-Exempt Status

The organization was established as a not-for-profit corporation under the laws of the state of North Carolina in 2004 and was recognized as a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code in 2005. Contributions to NAPC-Education Fund may be tax deductible.

#### Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the organization considers highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

#### Financial Statement Presentation

U.S. GAAP establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Descriptions of the three net asset classes are as follows:

*Unrestricted Net Assets* - Net assets that are not subject to donor-imposed restrictions and that are available for general operating expenses of the organization.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed restrictions as to the purpose and/or time of use.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed restrictions that they be maintained permanently by the organization. (The organization had no permanently restricted net assets as of September 30, 2018).

Use of Estimates

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various services have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimate.

Contributions and Grants

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. As temporary restrictions expire, net assets are reclassified to unrestricted net assets and are reported on the statement of activities as Net Assets Released from Restriction.

Fair Value Measurements

In accordance with U.S. GAAP, NAPC-Education Fund follows "Fair Value Measurements." This standard establishes a single definition of fair value and a framework for measuring fair value in financial statements under U.S. GAAP. Fair value is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at an agreed upon measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market." The organization had no financial assets carried at fair value on a recurring basis.

Property and Equipment

Property and equipment purchases of \$500 or more are capitalized at cost. Depreciation is computed on the estimated useful life of the asset on the straight-line method.

Uncertain Tax Positions

NAPC-Education Fund is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to the organization's tax-exempt purpose may be subject to taxation as unrelated business income. The organization had no income from unrelated business activities in the year ended September 30, 2018 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The organization believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**2. Cash and Cash Equivalents**

Cash and cash equivalents consist of the following:

<u>As of September 30:</u>	<u>2018</u>	<u>2017</u>
Checking Accounts	\$ 461,020	\$ 394,107
Money Market & Savings Accounts	39,719	202,753
Petty Cash	100	100
Total Cash and Cash Equivalents	<u>\$ 500,839</u>	<u>\$ 596,960</u>

**3. Concentration of Credit Risk**

NAPC-Education Fund maintains its cash at four financial institutions. The accounts are insured in aggregate up to \$250,000 by the Federal Deposit Insurance Corporation. At no time during the year did the balances exceed the FDIC insured limit. Management believes it is not exposed to any significant credit risk on its cash balances.

**4. Grants Receivable**

Grants receivable consists of a grant to the HERO program from one grantor. The amount was received December 2018 in full and as such no allowance for doubtful accounts is considered necessary as of September 30, 2018.

**5. Furniture and Equipment**

Furniture and equipment consist of the following:

<u>As of September 30:</u>	<u>2018</u>	<u>2017</u>
Equipment	\$ 13,197	\$ 522,687
Furniture	1,881	1,881
Software	-	3,111
Less: Accumulated Depreciation	(8,842)	(417,890)
Property and Equipment, Net	<u>\$ 6,236</u>	<u>\$ 109,789</u>

Depreciation expense was \$96,295 and \$97,849 for the years ended September 30, 2018 and 2017, respectively. As indicated above, in 2018, the organization disposed of most of its equipment. This included primarily high-technology equipment for the H.E.R.O. Child Rescue Corps that, due to its cutting-edge status, had a short life span and was no longer of use to the program. The 2018 disposition of these assets resulted in a loss on asset disposal of \$18,867.

**6. Program Support**

NAPC-Education Fund helps provide the Weiss Center and the H.E.R.O. Child Rescue Corps program with training and travel expenses, equipment and supplies as well as research and development cost to support the future needs of the program. During the audit year ended September 30, 2018, NAPC-Education Fund provided \$400,617 for recruitment and training and \$19,642 in travel for H.E.R.O. staff and trainers. In the prior year ended September 30, 2017, NAPC-Education Fund provided \$342,738 for recruitment and training and \$27,455 in travel for H.E.R.O. staff and trainers.

**7. In-Kind Donations Utilized**

NAPC-Education Fund received an in-kind donation to help support the organization's Project VIC work. During the audit year, the organization received and utilized a software donation totaling \$25,000.

**8. Temporarily Restricted Net Assets**

Temporarily restricted net assets were available for the following programs and purposes:

<u>As of September 30:</u>	<u>2018</u>	<u>2017</u>
H.E.R.O. Child Rescue Corps		
Inventory and Capitalized Equipment	\$ -	\$ 103,307
Memphis Program	14,547	19,987
H.E.R.O Program/Assistance	339,482	408,524
Project VIC	-	23,743
Total Temporarily Restricted Net Assets	<u>\$ 354,029</u>	<u>\$ 555,561</u>

**9. *Comparative Data***

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended September 30, 2017, from which the summarized information was derived. In addition, certain reclassifications have been made to prior year information to facilitate comparison to the current year.

**10. *Subsequent Events***

Subsequent events have been evaluated through January 31, 2019 which is the date the financial statements were available to be issued.