

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

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019



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, 2019 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, 2019, 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 2018 financial statements of National Association to Protect Children-Education Fund, Inc., and our report dated January 31, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Salaman, PLLC

Asheville, North Carolina
February 25, 2020

National Association to Protect Children - Education Fund, Inc.

Statement of Financial Position

As of September 30, 2019

(With summarized, comparative totals as of September 30, 2018)

	2019	2018
Assets		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 293,698	\$ 500,839
Grants Receivable	35,000	75,000
Prepaid Expenses	6,856	1,856
Total Current Assets	<u>335,554</u>	<u>577,695</u>
<u>Long-Term Assets</u>		
Property and Equipment, Net	<u>3,880</u>	<u>6,236</u>
Total Long-Term Assets	<u>3,880</u>	<u>6,236</u>
Total Assets	<u>\$ 339,434</u>	<u>\$ 583,931</u>
Liabilities and Net Assets		
<u>Current Liabilities</u>		
Accounts Payable	\$ 26,461	\$ 10,258
Payroll Tax Liabilities	3,735	4,123
Accrued Wages and Vacation	4,641	-
Total Current Liabilities	<u>34,837</u>	<u>14,381</u>
<u>Net Assets</u>		
Without Donor Restrictions	26,902	215,521
With Donor Restrictions	277,695	354,029
Total Net Assets	<u>304,597</u>	<u>569,550</u>
Total Liabilities and Net Assets	<u>\$ 339,434</u>	<u>\$ 583,931</u>

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, 2019

(With summarized, comparative totals for the prior year)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Support				
Grants	\$ 71,400	\$ 40,000	\$ 111,400	\$ 206,000
Contributions	216,758	318,607	535,365	564,559
In Kind Contributions	-	-	-	25,000
Other Income	80	-	80	42
Loss on Asset Disposal	-	-	-	(18,867)
Net Assets Released from Restriction	434,941	(434,941)	-	-
Total Support	723,179	(76,334)	646,845	776,734
Expenses				
Program Services	734,181	-	734,181	1,012,297
Management and General	112,253	-	112,253	108,213
Fundraising	65,364	-	65,364	65,210
Total Expenses	911,798	-	911,798	1,185,720
Change in Net Assets	(188,619)	(76,334)	(264,953)	(408,986)
Net Assets, Beginning of Year	215,521	354,029	569,550	978,536
Net Assets, End of Year	\$ 26,902	\$ 277,695	\$ 304,597	\$ 569,550

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, 2019

(With summarized, comparative totals for the prior year)

	Program	Management & General	Fundraising	Total 2019	Total 2018
Wages	\$ 280,691	\$ 67,002	\$ 41,774	\$ 389,467	\$ 363,346
Payroll Taxes	20,504	5,046	3,081	28,631	26,958
Employee Benefits	24,964	6,366	3,464	34,794	38,269
Total Personnel	326,159	78,414	48,319	452,892	428,573
Bank Fees	10	30	509	549	964
Charitable Registrations	-	-	10,800	10,800	12,664
Database Service	2,008	220	3,454	5,682	15,032
H.E.R.O. Training	333,346	-	-	333,346	400,617
Insurance	-	2,783	-	2,783	3,008
Meetings and Conferences	132	65	-	197	9,254
Office Supplies	1,056	333	105	1,494	14,303
Other Expenses	75	751	-	826	1,023
Postage and Delivery	48	573	80	701	750
Printing and Reproduction	958	-	133	1,091	941
Professional Services	14,297	25,544	-	39,841	104,601
Rent	6,756	432	192	7,380	8,043
Telephone and Internet	5,741	500	346	6,587	9,195
Travel	41,236	253	1,426	42,915	52,175
Website Maintenance	2,359	-	-	2,359	3,282
Subtotal Expenses	734,181	109,898	65,364	909,443	1,064,425
Depreciation Expense	-	2,355	-	2,355	96,295
Donated Supplies	-	-	-	-	25,000
Total Expenses	\$ 734,181	\$ 112,253	\$ 65,364	\$ 911,798	\$ 1,185,720

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, 2019

(With summarized, comparative totals for the prior year)

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ (264,953)	\$ (408,986)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:		
Depreciation Expense	2,355	96,295
Loss on Disposal of Assets	-	18,867
(Increase)/Decrease in Operating Assets		
Grants Receivable	40,000	(25,000)
Contributions Receivable	-	250,000
Prepaid Expenses	(5,000)	7
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	16,203	(27,484)
Payroll Tax Liabilities	(387)	(320)
Accrued Wages and Vacation	4,641	-
Net Cash Used by Operating Activities	<u>(207,141)</u>	<u>(96,621)</u>
<u>Cash Flows from Investing Activities</u>		
Sale of Asset	<u>-</u>	<u>500</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>500</u>
Net Change in Cash and Cash Equivalents	(207,141)	(96,121)
Cash and Cash Equivalents, Beginning of Year	<u>500,839</u>	<u>596,960</u>
Cash and Cash Equivalents, End of Year	<u>\$ 293,698</u>	<u>\$ 500,839</u>

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, 2019

1. Description of Organization, Corporate and Tax-Exempt Status

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 21st 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.

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.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require an organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Concentration of Credit Risk

Financial assets that potentially subject the organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. At no time during the year did the balances exceed the FDIC insured limits. The organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

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.

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.

In-Kind Contributions

The organization recognizes contributed goods and the use of facilities at estimated fair value on the date of receipt. Contributed services are recognized in the financial statements if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When recognized, contributed services are reported at fair value.

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 program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses that are attributable to more than one program or supporting function, require managements allocation on a reasonable basis that is consistently applied. The primary allocation basis used by management for personnel expenses and applicable overhead expenses is estimated based on employee time and effort.

HERO Equipment

NAPC-Education Fund does not capitalize equipment purchases for the HERO program. Due to the sensitivity of the information embedded in the equipment used for the highly specialized HERO training, this equipment cannot be sold or re-used by NAPC-Education Fund after the HERO program has ended. Instead, this equipment is recorded as an expense, and is donated to the HERO participants at the close of the HERO program.

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, 2019 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.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. NAPC-Education Fund has implemented ASU 2016-14 and the presentation of these financial statements has been adjusted accordingly. The ASU has been applied retrospectively to all periods presented.

Summarized 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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the organization's audited financial statements for the year ended September 30, 2018, from which the summarized information was derived. Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

3. *Liquidity and Availability*

NAPC Education Fund's liquidity management plan is to invest cash in excess of daily requirements in a money market account. The total net assets with donor restrictions detailed in Note 8 are projected to be satisfied in the coming year through achievement of program objectives and operating expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position consist of the following:

<u>As of September 30:</u>	<u>2019</u>
Financial Assets at year end:	
Cash and Cash Equivalents	\$ 293,698
Grants Receivable	<u>35,000</u>
Total Financial Assets	<u><u>328,698</u></u>

The NAPC-Education Fund goal is generally to maintain financial assets available for general expenditures to meet a minimum of 90 days of essential operating expenses (approximately \$225,000).

4. ***Cash and Cash Equivalents***

Cash and cash equivalents consist of the following:

<u>As of September 30:</u>	<u>2019</u>	<u>2018</u>
Checking Accounts	\$ 207,034	\$ 461,020
Money Market & Savings Accounts	86,564	39,719
Petty Cash	100	100
Total Cash and Cash Equivalents	<u>\$ 293,698</u>	<u>\$ 500,839</u>

5. ***Grants Receivable***

Grants receivable consists of a grant to the HERO program from one grantor. No allowance for doubtful accounts is considered necessary as of September 30, 2019.

6. ***Furniture and Equipment***

Furniture and equipment consist of the following:

<u>As of September 30:</u>	<u>2019</u>	<u>2018</u>
Equipment	\$ 13,197	\$ 13,197
Furniture	1,881	1,881
Less: Accumulated Depreciation	(11,198)	(8,842)
Property and Equipment, Net	<u>\$ 3,880</u>	<u>\$ 6,236</u>

Depreciation expense was \$2,355 and \$96,295 for the years ended September 30, 2019 and 2018, respectively. In the prior year, 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. In 2019, NAPC-Education Fund purchased HERO equipment at the total cost of \$99,156 which was then transferred to another organization (See Note 7). This equipment was expensed during the audit year, and therefore is not included in 2019 property and equipment. See Note 2 for the description of NAPC- Education Fund's accounting policy for equipment purchases.

7. ***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, 2019, NAPC-Education Fund provided \$333,346 for recruitment and training and \$29,931 in travel for H.E.R.O. staff and trainers. Of this recruitment and training expense, NAPC-Education Fund partnered with another organization Learn to Crawl whereby two vehicles were provided for recruitment efforts. In the prior 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.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following programs and purposes:

<u>As of September 30:</u>	<u>2019</u>	<u>2018</u>
Memphis Program	\$ 14,547	\$ 14,547
H.E.R.O Program/Assistance	263,148	339,482
Total Net Assets with Donor Restrictions	<u>\$ 277,695</u>	<u>\$ 354,029</u>

9. Subsequent Events

Subsequent events have been evaluated through February 25, 2020, which is the date the financial statements were available to be issued.