

NATIONAL ASSOCIATION TO PROTECT CHILDREN – EDUCATION  
FUND, INC.  
KNOXVILLE, TENNESSEE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

NATIONAL ASSOCIATION TO PROTECT CHILDREN-EDUCATION FUND, INC.

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SUZAN H. SLUDER CPA PA

# Suzan H. Sluder, CPA PA

Audit, Tax and Accounting

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

I have audited the accompanying financial statements of National Association to Protect Children - Education Fund, Inc. (a non-profit organization) which comprise the statements of financial position as of September 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In my 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, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of my report. I am required to be independent of National Association to Protect Children - Education Fund, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements related to my audit. I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Responsibilities of Management 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.

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

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

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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.

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In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Association to Protect Children - Education Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Association to Protect Children - Education Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

*Suzan H Sluder CPA PA*

Arden, North Carolina  
March 1, 2023

**NATIONAL ASSOCIATION TO PROTECT CHILDREN - EDUCATION FUND, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2022**

**ASSETS**

	<b>2022</b>
<b><u>CURRENT ASSETS</u></b>	
Cash	\$ 192,748
Restricted cash	338,875
Prepaid expense	7,420
Total current assets	539,043
Property and equipment, net	2,612
<b>TOTAL ASSETS</b>	<b>\$ 541,655</b>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES:</u></b>	
Accounts payable	\$ 30,045
Accrued liabilities	6,383
Total current liabilities	36,428
<b><u>NET ASSETS:</u></b>	
Without donor restrictions:	
Undesignated	163,740
Investment in property and equipment	2,612
Total net assets without donor restrictions	166,352
With donor restrictions	338,875
Total net assets	505,227
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 541,655</b>

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

NATIONAL ASSOCIATION TO PROTECT CHILDREN - EDUCATION FUND, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restriction	Total
<b>SUPPORT AND REVENUES:</b>			
Foundation Grants	\$ 30,300	\$ 575,000	\$ 605,300
Corporate Contributions	959		959
Individual Contributions	30,521	1,475	31,996
Interest Income	2		2
Net assets release from restrictions			
Community Outreach	250,819	(250,819)	
Community Outreach- HERO	1,080	(1,080)	
Transparency	248	(248)	
Total public support and revenues	313,929	324,328	638,257
<b>EXPENSE:</b>			
Program activities	259,937		259,937
Supporting services:			
Management and general	67,324		67,324
Fundraising	32,708		32,708
Total supporting services	100,032		100,032
Total expenses	359,969		359,969
Increase (decrease) in net assets	(46,040)	324,328	278,288
Net assets at beginning of year	212,392	14,547	226,939
Net assets at end of year	\$ 166,352	\$ 338,875	\$ 505,227

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

**NATIONAL ASSOCIATION TO PROTECT CHILDREN - EDUCATION FUND, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<b>2022</b>			
	<b>Supporting Services</b>			
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 139,133	\$ 39,752	\$ 19,876	\$ 198,761
Payroll taxes	10,644	3,041	1,521	15,206
Employee benefits	8,772	2,998	2,539	14,309
Total salaries and related expenses	158,549	45,791	23,936	228,276
Bank and merchant service charges		10	555	565
Business licenses and fees		20		20
Charitable registrations			4,016	4,016
Database and online services	1,369		3,442	4,811
Insurance		2,236		2,236
Office supplies	598	58	58	714
Payroll processing fees		820		820
Postage and delivery	12	385	72	469
Professional services		15,533		15,533
Rent	6,608	576	336	7,520
Training & small equipment	88,236			88,236
Telephone, internet and data	3,476	139	257	3,872
Travel				0
Website	1,089	29	36	1,154
Total expenses before depreciation	259,937	65,597	32,708	358,242
Depreciation		1,727		1,727
Total functional expenses	\$ 259,937	\$ 67,324	\$ 32,708	\$ 359,969

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

NATIONAL ASSOCIATION TO PROTECT CHILDREN - EDUCATION FUND, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<b>2022</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>	
Increase (decrease) in net assets	\$ 278,288
Adjustments to reconcile net assets to net cash provided by operating activities:	
Depreciation	1,727
Unrealized gains/losses on investments	
Changes in operating assets and liabilities - sources (uses):	
Receivables	6,599
Prepaid expenses	(1,482)
Accounts payable	(13,734)
Accrued liabilities	819
Net cash provided from (used for) operating activities	272,217
 Net increase (decrease) in cash, cash equivalents and restricted cash	 272,217
Cash, cash equivalents and restricted cash at beginning of year	259,406
Cash, cash equivalents and restricted cash at end of year	\$ 531,623

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



NATIONAL ASSOCIATION TO PROTECT CHILDREN-EDUCATION FUND, INC.  
Notes to Financial Statements  
September 30, 2022

**Note 1 – Organization and Summary of Significant Accounting Policies**

Organization, Corporate and Tax-Exempt Status

National Association to Protect Children-Education Fund, Inc (Organization) 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.

Historically, the Organization focused on making the advancement of technology for child protection a priority, including training former special operations forces to aid law enforcement in hunting child predators and rescuing children. Additionally, the Organization increased transparency and accountability in the child protection and justice systems, and passed legislation that prioritizes and protects children. The Organization's recent efforts include expanding its technology trainings and instructing youth in the arts to teach them marketable skills, while preventing exploitation. Given the success of these new proactive efforts, the Organization will continue to grow in new directions to help support the youth of our nation.

The Organization was established as a nonprofit corporation under the laws of the State of North Carolina in 2004. It has qualified for exemption from federal income taxes under section 501 (c) (3) of the Internal Revenue Code. There was no unrelated business income for the year ended September 30, 2022.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Equivalents

For the purposes of the statement of cash flows, the Organization considers all investments and other highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents, including money market funds held by brokers.

NATIONAL ASSOCIATION TO PROTECT CHILDREN-EDUCATION FUND, INC.  
Notes to Financial Statements  
September 30, 2022

**Note 1 – Summary of Significant Accounting Policies (continued)**

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization releases restricted net assets to unrestricted net assets at that time.

The Organization capitalizes all expenditures for land and land improvements, buildings and equipment at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$ 1,500. Lesser amounts are expensed. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	3-20 years
Technology equipment	1-2 years
Furniture	1-5 years

H.E.R.O. Equipment

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

Contributions and Grants

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

NATIONAL ASSOCIATION TO PROTECT CHILDREN-EDUCATION FUND, INC.  
Notes to Financial Statements  
September 30, 2022

**Note 1 – Summary of Significant Accounting Policies (continued)**

Donated Services and Materials

A substantial number of volunteers have donated a significant amount of time to the Organization's operations and program services. Contributed services that create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills have been recognized as support unless documentation with respect to the value of those services has not been provided. Management requires sufficient documentation to support the value of donated materials or equipment before these amounts are recorded in the financial statements.

Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated fair market value at the date of receipt.

Net Assets

Board-Designated Net Assets

Net assets without donor restrictions are subject to self-imposed limits by action of the governing board. Board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other use.

Donor-Imposed Restrictions on Net Assets

A donor stipulation that specifies a use for a contributed asset that is more specific than board limits resulting from the following:

1. The nature of the not-for-profit entity
2. The environment in which it operates
3. The purpose specified in its articles of incorporation or bylaws or comparable documents for an unincorporated association.

Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual, for example, stipulating that resources be invested in perpetuity. Laws may extend those limits to investment returns from and other enhancements (diminishments) of those resources, thus extending donor-imposed restrictions (donors include other types of contributors, such as grantors).

NATIONAL ASSOCIATION TO PROTECT CHILDREN-EDUCATION FUND, INC.  
Notes to Financial Statements  
September 30, 2022

**Note 1 – Summary of Significant Accounting Policies (continued)**

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated by statistical means.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 reporting period. Accordingly, actual results could differ from those estimates.

**Note 2 – Property and Equipment**

A description of property and equipment is as follows:

<u>At September 30</u>	<u>2022</u>
At cost:	
Office Equipment	\$ 15,472
Office Furniture	<u>1,881</u>
	17,353
Less accumulated depreciation	<u>14,741</u>
<u>Property and equipment, net</u>	<u>\$ 2,612</u>

Depreciation expense for the years ended September 30, 2022 was \$ 1,727.

**Note 3 - Lease Commitments**

The Organization has a month-to-month lease for office space located in Knoxville, Tennessee for its operations. The monthly payment on this lease is \$ 400. The Organization also leased storage space on a month-to-month basis for H.E.R.O. equipment for \$235 per month. Total lease expense on all leases for the year ended September 30, 2022 was \$ 7,520.

NATIONAL ASSOCIATION TO PROTECT CHILDREN-EDUCATION FUND, INC.  
Notes to Financial Statements  
September 30, 2022

**Note 4 – Net Assets**

Net assets with donor restrictions are restricted for the following purposes or periods:

At September 30	2022
H.E.R.O.- Memphis Program	\$ 14,547
Community Outreach	324,181
Transparency	<u>147</u>
<b>Net assets with donor restrictions</b>	<b><u>\$ 338,875</u></b>

**Note 5 – Concentrations of Credit Risk**

Concentration of Cash on Deposit and Uninsured Cash Balances

The Organization maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) for balances up to \$250,000. At certain times, the Organization's bank balances may exceed the FDIC limit. The Organization has not experienced, nor does it anticipate, any losses with respect to those accounts.

Support Concentrations

Support provided by one foundation provided more than 10% of the Organization's gross support for 2022. Support received from this source totaled \$ 500,000 or 78 % for the year ended September 30, 2022. There were no amounts receivable from this source at September 30, 2022.

**Note 6 – Subsequent Events**

Subsequent events have been evaluated through March 1, 2023, which is the date that the financial statements were available to be issued.

**Note 7 – Income Taxes**

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken and as such, does not have any uncertain tax positions that are material to the financial statements.

NATIONAL ASSOCIATION TO PROTECT CHILDREN-EDUCATION FUND, INC.  
Notes to Financial Statements  
September 30, 2022

**Note 7 – Income Taxes (continued)**

Open Tax Years

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2018, 2019, and 2020, are subject to examination by the IRS, generally for 3 years after they were filed.

**Note 8– Liquidity and Availability of Resources**

The following reflects the Organization's financial assets as of September 30, 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

Financial assets:	\$ 531,623
<i>Less those funds unavailable for general expenditures due to:</i>	
Restricted by donor with time and purpose restrictions	<u>338,875</u>
Financial assets available to meet cash needs within one year	<u><u>\$ 192,748</u></u>

The Organization's goal is to generally maintain financial assets available for general expenditures to meet a minimum of 90 days of essential operating expenditures.