NATIONAL CHILDREN'S ADVOCACY CENTER, INC.
AUDITED FINANCIAL STATEMENTS

THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Mercer & Associates, PC

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Children's Advocacy Center, Inc.
Huntsville, Alabama

Report on the Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of National Children's Advocacy Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and 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 financial statements present fairly, in all material respects, the financial position of National Children's Advocacy Center, Inc. as of December 31, 2023 and 2022, 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.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 National Children's Advocacy Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 National Children's Advocacy Center, 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 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 generally accepted auditing standards and *Government 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 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.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 National Children's Advocacy Center, 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Children's Advocacy Center, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2024, on our consideration of National Children's Advocacy Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of National Children's Advocacy Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering National Children's Advocacy Center, Inc.'s internal control over financial reporting and compliance.

Mercer & Associates, PC

Huntsville, Alabama
August 19, 2024

NATIONAL CHILDREN'S ADVOCACY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	$ 1,439,530	$ 913,167
Investments	1,037,925	923,976
Accounts receivable - Federal Assistance	642,972	518,526
Accounts receivable - Other	91,493	1,487,148
Prepaid expenses	132,976	31,661
Total Current Assets	3,344,896	3,874,478
Fixed Assets		
Land & building	9,631,655	9,631,655
Vehicles	42,511	30,977
Equipment & furnishings	122,084	290,844
Less accumulated depreciation	(7,468,544)	(7,285,992)
Total Fixed Assets	2,327,706	2,667,484
Other Assets		
Deposits	800	800
Advances	1,600	0
Beneficial interest in assets held by others	105,038	0
	107,438	800
TOTAL ASSETS	$ 5,780,040	$ 6,542,762
LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts payable	$ 151,329	$ 128,620
Accrued salaries and payroll taxes	158,229	162,528
Accrued compensated absences	344,273	314,270
Line of credit payable	0	0
Unearned revenue	229,676	234,464
Total Current Liabilities	883,507	839,882
TOTAL LIABILITIES	883,507	839,882
Net Assets		
Without Donor Restrictions	4,766,533	5,072,880
With Donor Restrictions	130,000	630,000
TOTAL NET ASSETS	4,896,533	5,702,880
TOTAL LIABILITIES & NET ASSETS	$ 5,780,040	$ 6,542,762

The accompanying notes are an integral part of these financial statements

NATIONAL CHILDREN'S ADVOCACY CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NET ASSETS WITHOUT DONOR RESTRICTIONS	**2023**	**2022**
Revenue and Support		
Public Support		
Contributions	$ 396,019	$ 319,858
Protector's Circle	311,043	548,133
Government fees & grants		
U.S. Department of Justice	3,365,954	3,106,837
U.S. Department of Health & Human Services	295,356	251,414
State of Alabama	64,772	52,141
United Way	48,500	50,979
Children's Trust Fund	160,001	144,000
Other grants	166,244	101,119
Service fees		
Training & technical assistance	788,428	740,055
Symposium registrations	549,132	480,868
Product sales	15,701	701
Special events	144,557	168,855
Other income	208,181	176,471
Net Assets Released from Restriction	630,000	100,000
Total Revenue and Support	7,143,888	6,241,431
Functional Expenses		
Program services	6,076,971	5,195,055
Administrative and general	1,170,643	932,141
Fundraising	407,134	417,448
Total Functional Expenses	7,654,748	6,544,644
Other Income (Expenses)		
Realized gain(loss) on investments	286	(4,325)
Unrealized gain(loss) on investments	20,320	(266,392)
Interest income	179,907	198,884
Gain on sale of assets	4,000	0
Total Other Income (Expenses)	204,513	(71,833)
Change in Net Assets Without Donor Restrictions	(306,347)	(375,046)
NET ASSETS WITH DONOR RESTRICTIONS		
Grants	130,000	630,000
Net Assets Released from Restriction	(630,000)	(100,000)
Change in Net Assets With Donor Restrications	(500,000)	530,000
Change in Net Assets	(806,347)	154,954
Net Assets, Beginning	5,702,880	5,547,926
Net Assets, Ending	$ 4,896,533	$ 5,702,880

NATIONAL CHILDREN'S ADVOCACY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services	Support Services			
	Program Services	Administrative & General	Fundraising	Total Support Services	2023 Total
Accounting services	$ 14,304	$ 2,594	$ 963	$ 3,557	$ 17,861
Advertising	4,129	0	544	544	4,673
Bank charges	15,304	3,188	2,561	5,749	21,053
Books & publications	27,516	3,844	79	3,923	31,439
Client related expenses	998	0	2,445	2,445	3,443
Depreciation	333,477	31,383	17,430	48,813	382,290
Dues & permits	14,588	3,535	950	4,485	19,073
Equipment	6,525	18,459	0	18,459	24,984
Grants to other agencies	39,528	62	337	399	39,927
Insurance	83,331	21,057	5,602	26,659	109,990
Interest	0	0	0	0	0
Miscellaneous	45,836	11,652	18,419	30,071	75,907
Postage	5,797	3,297	6,978	10,275	16,072
Printing	15,416	3,003	36,026	39,029	54,445
Professional services	937,629	180,674	52,313	232,987	1,170,616
Rent	10,962	2,715	2,115	4,830	15,792
Repairs and maintenance	74,186	55,396	1,627	57,023	131,209
Salaries and related expenses	3,464,213	789,741	237,185	1,026,926	4,491,139
Scholarships	4,621	0	0	0	4,621
Supplies	114,281	9,381	11,229	20,610	134,891
Symposium expenses	516,895	0	0	0	516,895
Telephone	44,144	8,670	3,246	11,916	56,060
Travel	233,107	9,568	2,364	11,932	245,039
Utilities	70,184	12,424	4,721	17,145	87,329
Total Expenses	$ 6,076,971	$ 1,170,643	$ 407,134	$ 1,577,777	$ 7,654,748

The accompanying notes are an intergral part of these financial statements

NATIONAL CHILDREN'S ADVOCACY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Support Services			
	Program Services	Administrative & General	Fundraising	Total Support Services	2022 Total
Accounting services	$ 13,862	$ 2,534	$ 1,408	$ 3,942	$ 17,804
Advertising	269	0	1,265	1,265	1,534
Bank charges	12,375	3,286	2,597	5,883	18,258
Books & publications	25,068	138	42	180	25,248
Client related expenses	204	0	1,520	1,520	1,724
Depreciation	340,345	31,383	17,430	48,813	389,158
Dues & permits	5,106	2,457	73	2,530	7,636
Equipment	0	242	0	242	242
Grants to other agencies	253,126	0	0	0	253,126
Insurance	73,398	18,691	9,247	27,938	101,336
Interest	0	0	0	0	0
Miscellaneous	20,292	6,595	14,374	20,969	41,261
Postage	3,560	3,206	6,701	9,907	13,467
Printing	12,087	1,065	33,323	34,388	46,475
Professional services	729,524	144,531	65,660	210,191	939,715
Rent	17,508	2,479	6,880	9,359	26,867
Repairs and maintenance	58,922	10,899	4,283	15,182	74,104
Salaries and related expenses	3,069,660	671,720	215,658	887,378	3,957,038
Scholarships	26,504	0	0	0	26,504
Supplies	62,970	7,289	15,248	22,537	85,507
Symposium expenses	275,892	0	0	0	275,892
Telephone	43,589	8,106	4,335	12,441	56,030
Travel	82,485	5,031	10,468	15,499	97,984
Utilities	68,309	12,489	6,936	19,425	87,734
Total Expenses	$ 5,195,055	$ 932,141	$ 417,448	$ 1,349,589	$ 6,544,644

The accompanying notes are an intergral part of these financial statements

NATIONAL CHILDREN'S ADVOCACY CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

		2023		2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Increase (Decrease) in net assets	$	(806,347)	$	154,954
Adjustments to reconcile net assets to net cash provided by operating activities:				
Depreciation		382,289		389,158
Gain on sale of assets		(4,000)		0
Unrealized (gain)/loss on investments		(20,320)		266,392
Realized (gain)/loss on investments		(286)		4,325
Investment income		(107,446)		(89,820)
Investment fees		9,292		9,012
(Increase) decrease in operating assets				
Accounts receivable		1,271,209		15,517
Prepaid expenses		(101,315)		72,465
Advances		(1,600)		0
Increase (decrease) in operating liabilities				
Accounts payable		22,709		(312,480)
Accrued expenses		25,704		76,147
Deferred revenues		(4,788)		46,040
Net cash provided (used) by operating activities		665,101		631,710
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments		286		91,043
Purchase of investments		(100,514)		(91,043)
Purchase of equipment		(42,510)		
Proceeds from sale of vehicles		4,000		0
Net cash provided (used) by financing activities		(138,738)		0
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from line of credit		0		0
Payments on line of credit		0		0
Net cash provided (used) by financing activities		0		0
Net increase (decrease) in cash and cash equivalents		526,363		631,710
Cash and cash equivalents at beginning		913,167		281,457
Cash and cash equivalents at end	$	1,439,530	$	913,167

Supplemental information				
Interest paid	$	0	$	0

The accompanying notes are an integral part of these financial statements

THE NATIONAL CHILDREN'S ADVOCACY CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The National Children's Advocacy Center, Inc. (the "Center") is a nonprofit organization located in Huntsville, Alabama established to break the cycle of child maltreatment by using a multidisciplinary team approach to prevention and intervention services for abused children and their families and by providing training and information for professionals and other members of the community.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Under the provisions of the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"), net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified as follows:

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. The Center's board may designate assets without restrictions for specific operational purposes from time to time.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Accounting standards require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. In addition, gains and losses on investments should be reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Because substantially all of the Center's accounts receivable are appropriated by local, state and federal agencies, collectibility of the balance is determined as highly likely. No allowance for estimated uncollectible accounts is maintained. Had such a reserve account been contemplated, it would have no material effect on the financial statements as a whole. When an account is determined as uncollectible, the related accounts receivable is reduced and charged as a direct expense in the current period.

Inventory

Inventory, if any, is valued at the lesser of cost or market in accordance with principles generally accepted in the United States of America.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition

Contributions received are recorded as support without donor restrictions and support with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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 restriction.

Land, Building and Equipment

The Center capitalizes expenditures for land, buildings and equipment at costs. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which are three to seven years for furniture and equipment and twenty-five years for building. The Center capitalizes furniture and equipment with cost over $5,000.

Expenditures for maintenance and repairs that significantly extend the useful life or increase the productivity of an asset are capitalized. When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the books and the resulting gain or loss is credited or charged to income

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions 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 support with donor restrictions. Restrictions on donated capital assets expire over the estimated life of the asset and depreciation is recognized over the life of the asset.

Functional Expenses

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

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and Related Expenses	Time and Effort
Professional services	Direct Expenses
Depreciation, Insurance, Utilities, and Repairs & Maintenance	Square Footage
Telephone and Accounting Services	Square Footage
All Other	Direct Expenses

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income is reported as an increase in net assets without donor restrictions in the reporting period in which the income is recognized. The investments are in mutual funds.

Advertising

All advertising costs are expensed as incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal or state income taxes in the accompanying financial statements. Management is not aware of any activities that would jeopardize the Center's tax-exempt status. Tax years after December 31, 2019 remain subject to examination by taxing authorities. In addition, the Center had no unrelated business income for the years ended December 31, 2023 and 2022.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires use of management's estimates. These estimates require assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases

The Center determines if a contractual arrangement is or contains a lease at inception. Leases are classified as either an Operating Lease or a Finance Lease. The classification affects how rent expense is recognized. Regardless of the classification, both types of leases are included in right-of-use assets and lease liabilities on the Statement of Financial Position. Right-of-use assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. For leases classified as an Operating Lease, lease payments are recognized as rent expense on a straight-line basis over the lease term. For leases classified as a Finance Lease, lease payments are recognized as a reduction in the lease liability and interest expense. The Center does not report right-of-use assets and lease liabilities for short-term leases (leases with a term of 12 months or less and month-to-month leases). The lease payments for short-term leases are reported as rent expense. The Center has made an accounting policy election to use a risk-free rate in lieu of the incremental borrowing rate to discount future lease payments.

NOTE 2 – DONATED SERVICES

As a nonprofit organization, the Center is able to provide its services to the community in large part due to the dedicated support of its many volunteers. Only specialized services provided to the Center are reflected in the financial statements. No support, revenue or expense is recognized from services contributed by other volunteers since no objective basis is available to measure the value of such services.

NOTE 3 – FEDERAL FINANCIAL ASSISTANCE

The Center receives grant revenues from the United States Department of Justice, the Department of Health and Human Services (DHHS), and the Department of Treasury. These funds require that the Center expend federal funds for purposes that will achieve grant-specific objectives. Revenue is recognized as the Center incurs expenditures in compliance with the specific requirements of the grant.

The Center also receives grant revenues from the Alabama Department of Human Resources (DHR) under a program called Healthy Families of North Alabama. This money is passed through DHR from DHHS. The grant requires that the Center expend these monies for purposes to serve eligible persons toward achieving the objectives set forth by the grant and to provide a specified percentage of matching funds. The Center is responsible for providing matching funds in order to complete some of the projects funded by the granting agency.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Center maintains its cash accounts at several financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures the total cash balances at each financial institution up to $250,000. The uninsured deposits at December 31, 2023 and 2022 were $26,129 and $676,951, respectively. A large portion of the risk from uninsured balances was mitigated by using IntraFi Cash Services that allows the Center to work with a single financial institution but still diversify its funds across numerous institutions.

NOTE 5 – LINE OF CREDIT AND CASH POSITION

The Center has a line of credit of $1,050,000 in 2023 and 2022. At December 31, 2023 and 2022, the balances were $0 and $0, respectively. The line balance fluctuates based on the Center's cash deposits with the bank and the line of credit arrangement to sweep available cash. Interest is calculated at the bank's prime rate of interest. Due to the nature of the line of credit, the balance is reflected as a current liability on the statements of financial position. At December 31, 2023 and 2022, the line of credit available to be drawn was $1,050,000 and $1,050,000, respectively.

NOTE 6 – COMMITMENTS AND CONTINGINCIES

The Center receives grants from the United States Departments of Justice, Health and Human Services, and Treasury that require the Center to perform certain services and activities as specified within the grants. Failure to fulfill the conditions as set forth within the grants could result in the return of the funds to the grantor agency. The Center deems this contingency remote because the objectives of each grant have been accomplished.

NOTE 7 – 401(K) BENEFIT PLAN

Employee's contributions are matched 100% dollar for dollar for the first 5% contributed. Eligibility is based on three months of service for employees over 21 years of age. For the years ended December 31, 2023 and 2022, the Center made 401(k) contributions of $175,987 and $148,466.

NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. A fair value measurement assumes that the transaction to see the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities and has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Foundation's own data.)

NOTE 8 – INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

The following table presents the Center's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2023.

	Level 1	Level 2	Level 3	Total
Investments	$ 1,037,925	$ 0	$ 0	$ 1,037,925
Beneficial Interest in Assets Held by Others	105,038	0	0	105,038
Totals	$ 1,142,963	$ 0	$ 0	$ 1,142,963

The following table presents the Center's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2022.

	Level 1	Level 2	Level 3	Total
Investments	$ 923,976	$ 0	$ 0	$ 923,976
Beneficial Interest in Assets Held by Others	0	0	0	0
Totals	$ 923,976	$ 0	$ 0	$ 923,976

The board of directors approved investment of funds with Morgan Stanley during the year. All investments are invested by Morgan Stanley in the name of the Center.

NOTE 9 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2023, is as follows:

	Beginning	Additions	Disposals	Ending
Land and Building	$ 9,631,655	$ 0	$ 0	$ 9,631,655
Vehicles	30,977	42,511	(30,977)	42,511
Equipment and Furnishings	290,844	0	(168,760)	122,084
Accumulated Depreciation	(7,285,992)	(382,289)	199,737	(7,468,544)
	$ 2,667,484	$ (339,778)	$ 0	$ 2,327,706

A summary of changes in capital assets for the year ended December 31, 2022, is as follows:

	Beginning	Additions	Disposals	Ending
Land and Building	$ 9,631,655	$ 0	$ 0	$ 9,631,655
Vehicles	30,977	0	0	30,977
Equipment and Furnishings	290,844	0	0	290,844
Accumulated Depreciation	(6,896,835)	(389,158)	0	(7,285,992)
	$ 3,056,641	$ (389,158)	$ 0	$ 2,667,484

NOTE 10 – LEASES

FASB ASC 842, *Leases* issued in February 2016, is effective for fiscal years beginning after December 15, 2021. FASB ASC 842 requires lessees to determine if leases are classified as Operating Leases or Finance Leases. Regardless of classification, lessees must recognize an intangible right-of-use asset and lease liability.

The Center does not report right-of-use assets and lease liabilities for short-term leases (leases with a term of 12 months or less and month-to-month leases). The lease payments for short-term leases are reported as rent expense. The Center leases land and buildings from the City of Huntsville, Alabama for $1 per year. This lease expires March 31, 2026 with the option to renew the lease through March 31, 2076.

FASB ASC 842 requires lessors to determine if leases are classified as Sales-Type Leases, Direct Financing Leases, or Operating Leases. The Center has one Operating Lease with the City of Huntsville in effect during 2023 and 2022. Details of the lease are as follows:

> Lease for office space payable in monthly installments of $3,750 for three years commencing July 1, 2019 and ending June 30, 2022. The City of Huntsville has the option to renew the agreement for two additional one-year terms. The lease was renewed through June 30, 2023 and renewed again through June 30, 2024.

Lease income recognized from this lease agreement was $45,000 for 2023 and 2022.

The lease income commitments from this lease are as follows:

2024	$ 22,500

NOTE 11 –NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets consist for the following purposes as of December 31, 2023 and 2022:

	2023	2022
Subject to the passage of time:		
Alpha Foundation 2024 and 2023 grants	$ 100,000	$ 100,000
Handle With Care 2024 and 2023 grants	30,000	30,000
Subject to renovations and capital improvements:		
Madison County for 2024 and 2023 expenses	0	500,000
	$ 130,000	$ 630,000

Releases from Donor Restricted Net Assets for December 31, 2023 and 2022 are as follows:

	2023	2022
Subject to the passage of time:		
Alpha Foundation 2023 and 2022 grants	$ 100,000	$ 100,000
Handle With Care 2023 and 2022 grants	30,000	0
Subject to renovations and capital improvements:		
Madison County for 2023 and 2022 expenses	500,000	0
	$ 630,000	$ 100,000

NOTE 12 – LIQUIDITY

The Center's financial assets available within one year of the balance sheet date for general expenditure are as follows:

		2023		2022
Cash and cash equivalents	$	1,439,530	$	913,167
Investments		1,037,925		923,976
Accounts receivable – Federal assistance		642,972		518,526
Accounts receivable – Other		91,493		1,487,148
Prepaid expenses		132,976		31,661
	$	3,344,896	$	3,874,478

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 13 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

During 2023, the Center transferred funds to the Community Foundation of Greater Huntsville to establish a nonprofit agency fund with the Community Foundation. The purpose of the fund is to provide a stable and ongoing means of generating revenue, which will be used to support the mission of the Center. The fund is subject to the variance power of the Community Foundation of Greater Huntsville.

At December 31, 2023, the fund had a value of $105,038, which was reported in the statement of net position as a beneficial interest in assets held by others. This other asset was included in the level 1 fair value hierarchy described in Note 8. The valuation technique used to measure fair value of this asset was the market approach. Distributions may be made upon request of the Center and Board approval of the Community Foundation.

NOTE 14 – EMPLOYEE RETENTION CREDIT

The CARES Act provides an Employee Retention Credit (ERC), which is a refundable tax credit against certain employment taxes. In 2021 and 2020, the Center recognized revenue of $1,043,876 and $303,830 related to the refundable tax credit calculation. At December 31, 2023 and 2022, an "Other Receivable" of $0 and $1,408,712 are reported. The Center received $1,441,081 and $44,633 as of December 31, 2023 and 2022 in ERC and interest.

Laws and regulations concerning government programs, including the Employee Retention Credit established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Center's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Center.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLE

Statement on Auditing Standards (SAS) No. 142 takes effect for audits of financial statements for periods ending on or after December 15, 2022. SAS No. 142 explains what constitutes audit evidence in an audit of financial statements and sets out attributes of information that are taken into account by the auditor when evaluating information to be used as audit evidence. The adoption of SAS 142 had no effect on net assets or the change in net assets.

For the year ended December 31, 2022, the Center adopted FASB ASC 842, *Leases,* which requires lessees to determine if a lease is an Operating Lease or a Finance Lease and requires lessors to determine if a lease is an Operating Lease, Sales-Type Lease, or Direct Financing Lease. The Standard requires disclosure of key information about leasing arrangements. The adoption of ASC 842 had no effect on net assets or the change in net assets.

Statement on Auditing Standards (SAS) No. 143 takes effect for audits of financial statements for periods ending on or after December 15, 2023. SAS 143 helps auditors to appropriately address increasingly complex scenarios that arise from new accounting standards that include estimates. The adoption of SAS 143 had no effect on net assets or the change in net assets.

Statement on Auditing Standards (SAS) No. 145 takes effect for audits of financial statements for periods ending on or after December 15, 2023. SAS 145 does not fundamentally change the key concepts underpinning audit risk. Rather, it clarifies and enhances certain aspects of the identification and assessment of the risks of material misstatement to drive better risk assessments and, therefore, enhance audit quality. The adoption of SAS 145 had no effect on net assets or the change in net assets.

NOTE 16 – SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is August 19, 2024. The financial statements were available to be issued at that time.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
National Children's Advocacy Center, Inc.
Huntsville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the National Children's Advocacy Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the National Children's Advocacy Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the National Children's Advocacy Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the National Children's Advocacy Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the National Children's Advocacy Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mercer & Associates, PC

Huntsville, Alabama
August 19, 2024

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
National Children's Advocacy Center, Inc.
Huntsville, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the National Children's Advocacy Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the National Children's Advocacy Center, Inc.'s major federal programs for the year ended December 31, 2023. The National Children's Advocacy Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion the National Children's Advocacy Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the National Children's Advocacy Center Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to out audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the National Children's Advocacy Center Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the National Children's Advocacy Center, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the National Children's Advocacy Center, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the National Children's Advocacy Center, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 National Children's Advocacy Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the National Children's Advocacy Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the National Children's Advocacy Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mercer & Associates, PC

Huntsville, Alabama
August 19, 2024

NATIONAL CHILDREN'S ADVOCACY CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Assistance Listing	Pass-Through Grantor's Number	Federal Expenditures	Passed through to Subrecipients
U.S. Department of Justice				
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local CACs				
VOCA Training and Technical Assistance for Child Abuse Professionals - Child Abuse Response Enhancement (CARE) Program	16.758		$ 1,145,384	$ 21,768
Southern Regional Children's Advocacy Center	16.758		1,327,420	17,645
Passed through National Children's Alliance				
Provision of Core Direct CAC Services	16.758	HUNT-AL-CORE22	62,845	0
Total Improving the Investigation and Prosecution of Child Abuse and the Regional and Local CACs			2,535,649	39,413
Passed through the Alabama Department of Economic and Community Affairs				
Crime Victim Assistance - Discretionary	16.575	2023-VA-CA-14	415,796	0
Crime Victim Assistance - Discretionary	16.575	2024-VA-CA-17	141,416	0
Total Passed through the Alabama Dpeartment of Economic and Community Affairs			557,212	0
Passed through JBS International, Inc.				
2022 OVC FY 2022 Protecting Futures:Building Capacity to Service Children and Youth Impacted by America's Drug Crisis	16.838	00913-DOJOVCPF-NCAC	20,448	0
Passed through the International Association of Chiefs of Police				
Vicarious Trauma Response Initiative: Training and Technical Assistance	16.582	IACP-2019-7612-01	306	0
Enhancing Community Responses to the Opioid Crisis:Serving our Youngest Victims	16.582		123,656	0
			123,962	0
Passed through Fox Valley Technical College				
FY20 Missing and Exploited Children Training and Technical Assistance Program	16.543	D2021003108	12,825	0
Total U.S. Department of Justice			3,250,096	39,413
U.S Department of Health and Human Services				
Passed through the Alabama Department of Human Resources				
Healthy Families	93.556	4080	295,356	0
Total U.S. Department of Health and Human Services			295,356	0
U.S Department of Treasury				
Passed through the Alabama Network of Children's Advocacy Centers, Inc.				
American Rescue Plan Act	21.027	21.UNKNOWN	115,858	0
Total U.S. Department of Treasury			115,858	0
Total			$ 3,661,310	$ 39,413

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

NATIONAL CHILDREN'S ADVOCACY CENTER, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the National Children's Advocacy Center, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of the basic financial statements.

The Center did not elect to use the 10% de minimis indirect cost rate.

NATIONAL CHILDREN'S ADVOCACY CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
• Material weakness(es) identified?	___ Yes _X_ No
• Significant deficieny(ies) identified?	___ Yes _X_ None reported
Noncompliance material to financial statements noted?	___ Yes _X_ No

Federal Awards

Internal control over major programs	
• Material weakness(es) identified?	___ Yes _X_ No
• Significant deficieny(ies) identified?	___ Yes _X_ None reported
Type of auditor's report issued	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___ Yes _X_ No

The programs tested as major programs include:

	Assistance Listing #
US Dept of Justice – Child Abuse Response Enhancement (CARE) Program	16.758
US Dept of Justice – Southern Regional Children's Advocacy Center	16.758
US Dept of Justice – NCA Core Direct Services	16.758

Dollar threshold used to distinguish between Type A & Type B programs	$750,000
Auditee qualified as low-risk auditee?	_X_ Yes ___ No

SECTION II - FINANCIAL STATEMENTS FINDINGS

None

SECTION III -FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None