SCHALL & ASHENFARB Certified Public Accountants, LLC

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CHILD ABUSE PREVENTION CENTER, INC. AND AFFILIATE

Consolidated Audited Financial Statements

December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Child Abuse Prevention Center, Inc. and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Child Abuse Prevention Center, Inc. and Affiliate (the "Center"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Child Abuse Prevention Center, Inc. and Affiliate as of December 31, 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 Center's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated June 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

June 25, 2020

CHILD ABUSE PREVENTION CENTER, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
(With comparative totals as of December 31, 2018)

	12/31/19	12/31/18
Assets		
Cash and cash equivalents	$46,762	$138,800
Government grants receivable	169,907	155,282
Pledges receivable (Note 3)	125,000	70,000
Prepaid expenses and other assets	19,780	8,209
Beneficial interest in assets held		
by a community foundation (Note 4)	74,211	63,411
Fixed assets, net (Note 5)	1,492,082	1,514,412
Total assets	$1,927,742	$1,950,114
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$53,158	$18,077
Grant advance	49,305	0
Deferred revenue	500	0
Capital lease obligation (Note 7)	34,453	14,672
Total liabilities	137,416	32,749
Net assets:		
Without donor restrictions	1,618,054	1,803,493
With donor restrictions (Note 8)	172,272	113,872
Total net assets	1,790,326	1,917,365
Total liabilities and net assets	$1,927,742	$1,950,114

The attached notes and auditor's report are an integral part of these financial statements.

CHILD ABUSE PREVENTION CENTER, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/19	Total 12/31/18
Revenue and support:				
Government grants	$708,801		$708,801	$744,352
Contributions	90,319	$131,400	221,719	224,812
In-kind contributions	8,766		8,766	4,263
Special events (net of expenses with a direct benefit to donors) (Note 9)	78,205		78,205	120,380
Interest and other income	7,148		7,148	15,350
Net assets released from restriction (Note 8)	73,000	(73,000)	0	0
Total revenue and support	966,239	58,400	1,024,639	1,109,157
Expenses:				
Program services	812,909		812,909	856,935
Supporting services:				
Management and general	185,513		185,513	168,710
Fundraising	164,056		164,056	21,939
Total supporting services	349,569	0	349,569	190,649
Total expenses	1,162,478	0	1,162,478	1,047,584
Change in net assets from operations	(196,239)	58,400	(137,839)	61,573
Non-operating activity:				
Change in beneficial interest (Note 4)	10,800		10,800	(6,478)
Total non-operating activity	10,800	0	10,800	(6,478)
Change in net assets	(185,439)	58,400	(127,039)	55,095
Net assets - beginning of year	1,803,493	113,872	1,917,365	1,862,270
Net assets - end of year	$1,618,054	$172,272	$1,790,326	$1,917,365

The attached notes and auditor's report are an integral part of these financial statements.

CHILD ABUSE PREVENTION CENTER, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total 12/31/19	Total 12/31/18*
Salaries	$482,519	$97,685	$78,850	$176,535	$659,054	$569,053
Payroll taxes and benefits	106,941	21,650	17,476	39,126	146,067	138,041
Professional fees	44,681	24,741	3,500	28,241	72,922	52,225
Client assistance and supplies	24,659			0	24,659	26,690
Office expenses	19,585	6,914	3,200	10,114	29,699	39,668
Equipment and service contracts	14,296	3,099	2,083	5,182	19,478	25,047
Occupancy	14,106	2,856	2,305	5,161	19,267	38,640
Telephone	16,571	3,355	2,708	6,063	22,634	16,809
Travel and conferences	16,665			0	16,665	23,407
Insurance	10,962	2,701		2,701	13,663	18,474
Professional development	6,436	2,929		2,929	9,365	8,565
Special event expenses			32,532	32,532	32,532	16,915
Advertising and promotional expenses	2,857	6,129	29,700	35,829	38,686	10,256
Other expenses	11,724	5,172	517	5,689	17,413	12,644
Depreciation and amortization	40,907	8,282	6,685	14,967	55,874	65,810
Total expenses	812,909	185,513	179,556	365,069	1,177,978	1,062,244
Less: Cost of direct benefit to donor netted with revenue			(15,500)	(15,500)	(15,500)	(14,660)
Total expenses reported by function on the statement of activities	$812,909	$185,513	$164,056	$349,569	$1,162,478	$1,047,584

*Reclassified for comparative purposes

The attached notes and auditor's report are an integral part of these financial statements.

CHILD ABUSE PREVENTION CENTER, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	12/31/19	12/31/18
Cash flows from operating activities:		
Change in net assets	($127,039)	$55,095
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	55,874	65,810
Changes in assets and liabilities:		
Government grants receivable	(14,625)	(11,609)
Pledges receivable	(55,000)	(65,550)
Prepaid expenses and other assets	(11,571)	2,618
Accounts payable and accrued expenses	35,081	(49,923)
Grant advance	49,305	0
Deferred revenue	500	(5,600)
Total adjustments	59,564	(64,254)
Net cash used for operating activities	(67,475)	(9,159)
Cash flows from investing activities:		
(Increase)/decrease in assets held by community foundation	(10,800)	6,478
Net cash (used for)/ provided by investing activities	(10,800)	6,478
Cash flows from financing activities:		
Repayment of notes payable	0	(19,856)
Repayments on capital lease obligation	(13,763)	(4,604)
Net cash used for financing activities	(13,763)	(24,460)
Decrease in cash and cash equivalents	(92,038)	(27,141)
Cash and cash equivalents - beginning of year	138,800	165,941
Cash and cash equivalents - end of year	$46,762	$138,800
Supplemental disclosure of non-cash investing and financing activities:		
Equipment purchased under capital lease	$33,544	$0
Supplemental information:		
Taxes paid	$0	$0
Interest paid	$0	$0

The attached notes and auditor's report are an integral part of these financial statements.

Note 1 - Organization

Child Abuse Prevention Center, Inc. is a not-for-profit organization organized under the laws of the State of New York. They have been notified by the Internal Revenue that they are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. It has not been designated as a private foundation under Section 509(a)(1). The Child Abuse Prevention Center, Inc. provides a variety of services to the community, ranging from aid to individuals who have encountered child abuse and neglect, to services that provide prevention of such abuse and neglect. The main programs include personal safety program, parent empowerment program, special needs parenting program, community education, teen parenting program, and child advocacy center.

The consolidated financial statements include the accounts of the Child Abuse Prevention Center, Inc.'s wholly owned subsidiary CPCA, Inc. (the "Affiliate") which was formed in August 2013 to purchase and hold real estate. CPCA, Inc. has been notified that it is exempt from Federal income tax under Section 501(c)(2) of the Internal Revenue Code and has not been designated as a private foundation under Section 509 (a)(1).

Collectively, the Organization is referred to as the "Center." All significant intercompany transactions have been eliminated.

Note 2 - Summary of Significant Accounting Policies

a. <u>Basis of Accounting</u>
The accompanying consolidated financial statements have been prepared using the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective January 1, 2019, the Center adopted the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "Topic 606"). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, the Center adopted ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Center evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Center applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

The Center evaluates whether contributions are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for the Center to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way the Center recognizes revenue.

b. Basis of Presentation

The Center reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – accounts for activity without donor-imposed restrictions. Contributions with time and/or purpose restrictions that are fully expended in the same period they are received are classified as unrestricted. Included in the net assets without donor restrictions is the board designated endowment fund.
- *Net Assets With Donor Restrictions* – relates to activity based on specific donor restrictions that are expected to be satisfied by the passage of time or performance of activities.

c. Revenue Recognition

Contributions are reported as an increase in net assets without donor restrictions, unless they contain a restriction by the donor for a specific program or time period, in which case they are reported in the net asset class with donor restrictions. 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 restrictions. However, if a restriction is satisfied in the period the contribution has been made, it is recorded as net assets without donor restrictions.

Contributions may be subject to conditions which are defined under ASU No. 2018-08 as both a barrier to entitlement and a right return of payments or release from obligations.

Unconditional promises to give are recorded at net realizable value if expected to be received in one year or at fair value using a risk-adjusted discount rate if expected to be received after one year if material. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Center's government grants are primarily conditional, non-exchange transactions and fall under the scope of Topic 605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue. At December 31, 2019, all government grants receivable are expected to be collected within one year.

Management reviews receivables to determine if any are unlikely to be collected based on historical experience and a review of activity subsequent to the consolidated statement of financial position date. Based on this review, management has determined that no allowance for uncollectable amounts is necessary. Write-offs will be made directly to operations in the period the receivable is deemed to be uncollectable.

d. Cash and Cash Equivalents
All liquid investments with an initial maturity of three months or less are considered cash and cash equivalents.

e. Concentration of Credit Risk
Financial instruments that potentially subject the Center to concentration of credit risk consist of cash accounts with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits; however, they have not suffered any losses due to the failure of any of these institutions.

In addition, the beneficial interest in assets held by the Community Foundation is exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the balances reported in the consolidated statement of financial position.

f. Fixed Assets
Property and equipment that exceed predetermined thresholds and have a useful life greater than one year are capitalized at cost or at fair value, if donated. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of five to seven years. Building and building improvements are depreciated using the straight-line method over the estimated useful life of forty years.

g. In-Kind Services
Donated services that either create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind, are recognized at fair value. The Center received in-kind donated goods of $8,766 and $4,263 during 2019 and 2018, respectively, which have been reflected on the consolidated statement of activities and functional expenses. The value of the in-kind donated good have been included in program services on the consolidated statement of functional expenses.

Organizational governance and some fundraising duties are performed voluntarily by the Board of Directors. Those services have not been recorded because they do not meet the criteria for recognition as outlined above.

h. Management Estimates
The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

i. Functional Allocation of Expenses
The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries

The following expenses were allocated using salaries as the basis:

- Payroll taxes and benefits
- Office expenses
- Equipment and service contracts
- Occupancy
- Telephone
- Depreciation and amortization

All other expenses have been charged directly to the applicable program or supporting services.

j. <u>Summarized Comparative Information</u>
The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

k. <u>Accounting for Uncertainty of Income Taxes</u>
The Center does not believe its consolidated financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2016 and later are subject to examination by applicable taxing authorities.

l. <u>New Pronouncement</u>
FASB issued an Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2022 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the consolidated statement of financial position.

Management is in the process of evaluating the impact this standard will have on future financial statements.

Note 3 - Pledges Receivable

Pledges receivable are due as follows:

Year ending	December 31, 2020	$65,000
	December 31, 2021	60,000
Total		$125,000

Receivables due during the year ended December 31, 2021 have not been discounted to present value since the value of the discount is immaterial.

Note 4 - Beneficial Interest in Assets Held by a Community Foundation/Board Designated Endowment

In 2005, the Center deposited funds at the Community Foundation of the Hudson Valley (the "Foundation") to establish an endowment fund (the Child Abuse Prevention Fund, the "Fund") to provide support to the Center to carry out its overall role and mission. Over the years other entities made additional contributions to this fund. Since the amounts are not restricted beyond the Center's overall mission, it is classified as net assets without donor restrictions.

The Fund is administered by the Foundation and follows the Foundation's investment policy. The Center however retains variance power to these funds and has the right to invade the principal of their investment based on procedures adopted by the Center's Board of Directors. The Center has indicated that it does not wish to receive an annual or other regularly scheduled payout from the Fund and will notify the Foundation of any decisions to modify the arrangement.

The asset is considered a level 2 security and valued using observable market inputs for securities that are similar to those owned. This method produces a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

The amount is reported at fair value and is considered board designated. During 2019 and 2018, there was an increase of $10,800 and a decrease of $6,478 respectively, in assets held by the Foundation.

Note 5 - Fixed Assets

Fixed assets consist of the following:

	12/31/19	12/31/18
Building and building improvements	$1,706,559	$1,706,559
Furniture and equipment	142,793	109,249
	1,849,352	1,815,808
Less: accumulated depreciation	(357,270)	(301,396)
Total fixed assets, net	$1,492,082	$1,514,412

Note 6 - Line of Credit

The Center maintains a revolving line of credit agreement with a financial institution whereby it is permitted to borrow a maximum of $65,000 with an interest rate of prime plus 1%. The interest rate is to be at least 6.25% and the line of credit expires August 14, 2020. The line of credit is collateralized against all of the Center's assets. There were no outstanding balances and the full line was available at December 31, 2019 and 2018.

Note 7 - Capital Lease Obligation

The Center leases office equipment under two separate lease agreements which expire in November 2021 and March 2022. The first lease calls for monthly payments of $448 (including principal and interest) while the second calls for monthly principal payments of $932.

Amortization of the capital leases in the amount of $3,625 was included in depreciation and amortization expense for the years ended December 31, 2019 and 2018, respectively.

Future minimum payments under the terms of the lease are as follows:

Year ending:	December 31, 2020	$16,668
	December 31, 2021	15,440
	December 31, 2022	2,795
		34,903
Less: interest		(450)
Total		$34,453

Note 8 - Net Assets With Donor Restrictions

	December 31, 2019			
	Balance 1/1/19	Contributions	Released from Restrictions	Balance 12/31/19
Program restrictions:				
Skipper	$40,872	$0	$0	$40,872
Other	3,000	6,400	(3,000)	6,400
Subtotal program	43,872	6,400	(3,000)	47,272
Time restricted	70,000	125,000	(70,000)	125,000
Total	$113,872	$131,400	($73,000)	$172,272

	December 31, 2018			
	Balance 1/1/18	Contributions	Released from Restrictions	Balance 12/31/18
Program restrictions:				
Skipper	$40,872	$0	$0	$40,872
Other	0	3,000	0	3,000
Subtotal program	40,872	3,000	0	43,872
Time restricted	0	70,000	0	70,000
Total	$40,872	$73,000	$0	$113,872

Note 9 - Special Event

A summary of the special event is as follows:

	12/31/19	12/31/18
Gross revenue	$93,705	$135,040
Less: expenses with a direct benefit to donors	(15,500)	(14,660)
	78,205	120,380
Less: other event expenses	(17,032)	(2,255)
Net fundraising event	$61,173	$118,125

Note 10 - Significant Concentrations

During the years ended December 31, 2019 and 2018 the Center received 45% and 52%, respectively, of its total support and revenue from two government sources. A significant reduction in the level of support from these funders may have an effect on the programs and activities provided by the Center.

Note 11 - Commitments and Contingencies

a. Program Audits
Government grants are subject to audit by the grantor and other oversight agencies. Management is of the opinion that any potential disallowances that may result from an audit will not be material and has not set aside a reserve for this. Any future disallowances will be recorded when they become known and the amount is probable that it will be paid.

b. Leases/Related Party
In November 2012, the Center for Child Abuse Prevention, Inc. purchased a building to be used for its operations and subsequently transferred the title of the building to the Affiliate when it was formed in 2013. The Center for Child Abuse Prevention, Inc. entered into a five-year non-cancellable lease agreement with the Affiliate upon completion of the transfer. The lease calls for monthly payments of $1,800 and expired on January 30, 2019. In addition, the property insurance, taxes, utilities, and all operating expenses are paid for by the Center for Child Abuse Preventions, Inc. All rental income and expenses for 2019 and 2018, respectively, have been eliminated on the consolidated statement of activities.

Note 12 - Retirement Plan

The Center offers employees the option of participating in a 403(b)retirement savings plan whereby the employees can contribute pre-tax dollars up to statutory limits. The employer does not provide a match and therefore has not incurred any expense.

Note 13 - Liquidity and Availability of Financial Resources

The following reflects the Center's financial assets at December 31, 2019, reduced by amounts that have donor-imposed or board-designated restrictions within one year of the balance sheet date.

Cash and cash equivalents	$46,762	
Government grants receivable	169,907	
Pledges receivable within one year	65,000	
Total financial assets		$281,669
Less amounts not available to be used within one year:		
Contributions restricted – purpose restrictions		(47,272)
Financial assets available to meet cash needs for general expenditures within one year		$234,397

As part of its liquidity management, the Center operates its programs within a balanced budget and maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for ongoing operations. Additionally, the Center maintains a $65,000 line of credit.

Note 14 - Affiliated Entity

The below summarized financial information of CPCA, Inc. has been included in the consolidated financial statements for the year ended:

	12/31/19	12/31/18
Assets		
Cash	$833	$833
Building, net	$388,556	$489,755
Liabilities		
Deferred rent	$1,800	$1,800
Revenue		
Rental income	$0	$21,600
Expense		
Depreciation	$13,960	$13,960

Note 15 - Subsequent Events

Management has evaluated the impact of all subsequent events through June 25, 2020, which is the date that the consolidated financial statements were available to be issued.

In early 2020, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect the Center's donors, program participants, and suppliers as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could decrease spending, adversely affect demand for the Center's services and harm the Center's business and results of operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on the Center's business cannot be quantified.

On April 17, 2020, the Center obtained a loan from the SBA in the amount of $136,500 through the Payroll Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during the eight week period subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. Portions that are not forgiven will be payable over a two-year period, with a six-month deferral of payments and interest will accrue at 1%. The loan forgiveness amount has not been determined as of the date of these consolidated financial statements.