



SHARPE
PATELCPA

NC CHILD

FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

**NC CHILD
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
NC Child
Raleigh, North Carolina

Opinion

We have audited the accompanying financial statements of NC Child (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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NC Child as of December 31, 2023, and the changes in 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. 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 NC Child 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 opinion.

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 NC Child'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 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.

In performing an audit in accordance with generally accepted 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 NC Child'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 NC Child'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.

Report on Summarized Comparative Information

We have previously audited NC Child’s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sharpe Patel PLLC

Raleigh, North Carolina
April 29, 2024

NC CHILD
Statements of Financial Position
December 31, 2023 and 2022

ASSETS	2023	2022
Current assets:		
Cash and cash equivalents	\$ 3,447,203	\$ 2,077,396
Grants receivable	100,000	109,000
Pledges receivable	186,855	4,222
Other receivables	3,791	3,791
Prepaid expenses	42,075	38,873
Investments	1,234,356	167,508
Total current assets	5,014,280	2,400,790
Property and equipment, net	3,569	1,902
Non-current assets		
Deposits	3,174	3,174
Right-of-Use Asset	5,320	68,051
Investments - with donor restrictions	210,439	210,439
Total non-current assets	218,933	281,664
Total assets	\$ 5,236,782	\$ 2,684,356

NC CHILD
Statements of Financial Position (Continued)
December 31, 2023 and 2022

LIABILITIES AND NET ASSETS	2023	2022
	<u> </u>	<u> </u>
Current liabilities:		
Accounts payable	\$ 21,278	\$ 14,040
Accrued expenses	31,897	37,108
Lease liability - current portion	5,399	63,516
Total current liabilities	<u>58,574</u>	<u>114,664</u>
Long-term Liabilities:		
Lease liability	-	5,399
Total long-term liabilities	<u>-</u>	<u>5,399</u>
Total liabilities	<u>58,574</u>	<u>120,063</u>
Net assets:		
Without donor restrictions:		
Board designated	1,234,356	167,508
Undesignated	3,295,809	1,621,410
Total without donor restrictions	<u>4,530,165</u>	<u>1,788,918</u>
With donor restrictions	<u>648,043</u>	<u>775,375</u>
Total net assets	<u>5,178,208</u>	<u>2,564,293</u>
Total liabilities and net assets	<u>\$ 5,236,782</u>	<u>\$ 2,684,356</u>

The accompanying notes are an integral part of these financial statements

NC CHILD
Statement of Activities
Year Ended December 31, 2023
(With Comparative Totals for 2022)

	Without donor Restrictions	With donor Restrictions	Total	2022 Total
SUPPORT AND REVENUES:				
Grants and contributions	\$ 3,213,800	\$ 1,318,800	\$ 4,532,600	\$ 2,608,653
Investment income, net	111,968	13,348	125,316	22,191
Other income, net	45,194	-	45,194	54,677
Realized and unrealized gains (losses) on investments	13,348	35,072	48,420	(97,846)
Total support and revenues	3,384,310	1,367,220	4,751,530	2,587,675
Net assets released from restrictions	1,494,552	(1,494,552)	-	-
Total support and revenues and net assets released from restrictions	4,878,862	(127,332)	4,751,530	2,587,675
EXPENSES:				
Program services	1,780,393	-	1,780,393	1,913,536
Supporting services:				
General and administrative	150,291	-	150,291	158,471
Fundraising and development	206,931	-	206,931	193,807
Total supporting services	357,222	-	357,222	352,278
Total expenses	2,137,615	-	2,137,615	2,265,814
Change in net assets	2,741,247	(127,332)	2,613,915	321,861
Net assets at beginning of year	1,788,918	775,375	2,564,293	2,242,432
Net assets at end of year	\$ 4,530,165	\$ 648,043	\$ 5,178,208	\$ 2,564,293

The accompanying notes are an integral part of these financial statements

NC Child
Statement of Functional Expenses
Year Ended December 31, 2023
(With Comparative Totals for 2022)

	<u>Supporting Services</u>				<u>2022</u>
	<u>Program Services</u>	<u>Fundraising & Development</u>	<u>General & Administrative</u>	<u>Total</u>	
Salaries and benefits	\$ 1,118,429	\$ 159,315	\$ 121,048	\$ 1,398,792	\$ 1,481,882
Consultants	255,887	13,133	9,979	278,999	215,327
Temporary help/Interns	-	-	-	-	12,746
Accounting fees	3,500	3,500	3,500	10,500	10,000
Professional and legal fees	4,554	649	493	5,696	-
Supplies	13,949	1,557	1,006	16,512	8,964
Telephone & telecommunications	6,255	891	677	7,823	8,556
Postage, shipping, delivery	171	244	4	419	1,449
Equipment rental & maintenance	-	-	-	-	1,200
Printing & copying	1,895	1,891	205	3,991	5,343
Job advertisement	2,429	242	184	2,855	475
Membership dues & subscriptions	21,943	2,137	1,624	25,704	22,243
Technology service	20,022	5,153	1,715	26,890	26,774
Rent, parking, other occupancy	54,363	7,744	5,884	67,991	67,111
Travel & meetings	86,066	7,695	1,862	95,623	61,643
Depreciation & amortization	402	57	43	502	248
Storage	1,546	220	167	1,933	1,393
Bank service charges	2,387	340	258	2,985	2,552
Merchant account charges	103	15	11	129	252
Insurance - liability and D&O	5,067	722	548	6,337	6,332
Staff development	7,588	932	708	9,228	10,874
Payroll service	1,961	279	212	2,452	3,003
Advertising	1,250	-	-	1,250	704
Business expenses	162	23	17	202	203
Registration fees	1,012	-	-	1,012	759
Organizational and individual support (supported by operational funds)	18,500	-	-	18,500	86,941
Organizational and individual support (supported by grants)	109,351	-	-	109,351	197,340
Lobbying expenses	39,998	-	-	39,998	30,000
Bad debt expenses	-	-	-	-	1,500
Other expenses	1,603	192	146	1,941	-
Total functional expenses	\$ 1,780,393	\$ 206,931	\$ 150,291	\$ 2,137,615	\$ 2,265,814
Expenses included with revenue on the statement of activities:					
Investment fees	5,671	808	614	7,093	3,903
	\$ 1,786,064	\$ 207,739	\$ 150,905	\$ 2,144,708	\$ 2,269,717

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

NC CHILD
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,613,915	\$ 321,861
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Realized and unrealized loss (gain) on investments	(48,420)	97,846
Depreciation and amortization expense	63,253	56,016
Changes in assets and liabilities that provided (used) cash:		
Grants receivable	9,000	44,000
Pledges receivable	(182,633)	6,853
Other receivables	-	92
Prepaid expenses	(3,202)	(18,728)
Accounts payable	7,238	747
Accrued expenses	(5,211)	9,162
Net cash provided (used) by operating activities	2,453,940	517,849
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	8,860	8,860
Purchases of investments	(1,027,307)	(26,805)
Purchases of equipment	(2,170)	(2,150)
Net cash provided (used) by investing activities	(1,020,617)	(20,095)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on operating lease liability	(63,516)	(54,904)
Net cash provided (used) by financing activities	(63,516)	(54,904)
Net increase (decrease) in cash and cash equivalents	1,369,807	442,850
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,077,396	1,634,546
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,447,203	\$ 2,077,396
Supplemental information		
Interest paid	\$ -	\$ -

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

NC CHILD
Notes to Financial Statements
December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

NC Child (the “Organization”), formerly Action for Children North Carolina (“AFC”), is a nonprofit corporation organized on September 7, 1983 to provide systematic and long-term advocacy on behalf of North Carolina’s children and families. Effective January 1, 2014, AFC merged with Covenant with North Carolina’s Children’s Education Fund (the “Fund”). The Fund was an unrelated tax exempt 501(c)(3) organization incorporated in 1996 under the laws of North Carolina to educate the public on issues including state funding for child and family support programs, early childhood education and healthcare.

In connection with the merger, AFC’s name was changed to NC Child. The Fund’s assets, liabilities, and net assets were transferred to NC Child, which filed articles of merger with the State of North Carolina. Following the merger, NC Child continued the Fund’s affiliation with the Covenant with North Carolina’s Children, Inc. (the “Covenant”).

Basis of Presentation

The Organization has adopted FASB Accounting Standards Codification (ASC) 958-205 and subsections *Financial Statements of Not-for-Profit Commissions*. During 2018, the Organization adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Organization’s liquidity, financial performance, and cash flows. Under this standard, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are defined as follows:

Net assets without donor restrictions – net assets without donor restrictions include resources, which are available for the support of the Organization’s operating activities.

Net assets with donor restrictions – net assets with donor restrictions include resources that have been donated to the Organization subject to restrictions as defined by the donor. These restrictions are met either by the actions of the Organization and/or the passage of time. When the restriction expires as a result of the lapse of time requirement or achievement of the specified purpose stipulated, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets releases from restrictions.

Prior Year Summarized Comparative Information

The financial statements and certain notes include certain prior year summarized comparative information in total. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, such information should be read in conjunction with the Organization’s financial statements as of and for the year ended December 31, 2022, from which the summarized comparative information was derived.

NC CHILD
Notes to Financial Statements
December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Grants and Contributions

The Organization records contributions received as with donor restrictions or without donor restrictions support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions if the restriction expires in the reporting period in which the support is recognized and subsequently released as the restriction expires. All other donor restricted support is reported as an increase in net assets with donor restrictions.

Contributions Receivable

Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give using a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivables collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

In-kind Contributions

Contributed services and property are recorded at their estimated fair value at the date of donation. The Organization reports in-kind contributions as revenue without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Some members of the Organization have donated significant amounts of time to the Organization in furthering its programs and objectives. However, no amounts have been included in the financial statements for donated member or volunteer services since they did not meet the criteria for recognition.

NC CHILD
Notes to Financial Statements
December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Grants that are considered the equivalent of contributions are recorded as revenues at their fair values when they become unconditional. Grants that are expenditure reimbursement based are considered unconditional when the expenditures are incurred. Grants with restrictions are recorded as net assets with donor restrictions until the restrictions are met or if the grantor has specified that the gift principal remains intact. When grant-imposed restrictions have been met, amounts previously reported as with donor restrictions are reported in the statements of activities as net assets released from donor restrictions.

Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents includes balances on deposit in financial institutions, cash on hand and other highly liquid resources, such as interest-bearing money market accounts, with an original maturity date of three months or less.

Property and Equipment

The Organization capitalizes acquisitions of property and equipment in excess of \$1,000. The cost of maintenance and repairs is expensed as incurred. Expenditures which materially increase the property lives of the assets are capitalized. Purchases of property and equipment are recorded at cost. Donated property and equipment are recorded as contributions at their estimated fair value on the date of donation. Donations with explicit restrictions regarding their use are reported as contributions with donor restrictions.

Depreciation on leasehold improvements, office property and equipment and software is computed using the straight-line method over a useful life of 5 years. Upon disposition of property and equipment, the related asset and accumulated depreciation amounts are removed, and any gain or loss is reflected in the statement of activities for the period.

Income Taxes

The Organization is exempt from income taxes as a not-for-profit organization under Internal Revenue Service ("IRS") code section 501(c)(3) and from state income taxes under similar provisions of North Carolina tax laws. During the years ended December 31, 2023 and 2022, the Organization reported no unrelated business taxable income which is defined by the IRS as gross income derived from any unrelated trade or business that is not substantially related to the Organization's tax-exempt purpose. Accordingly, no provision for income taxes has been recorded.

NC CHILD
Notes to Financial Statements
December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Organization adopted the provisions of FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. Under this provision, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation had no impact on the Organization's financial statements. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax years in progress. The Organization believes it is no longer subject to income tax examinations for the years prior to 2019. At December 31, 2023 and 2022, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Advertising Expense

The Organization expenses the costs of advertising as incurred. Advertising expense was \$1,245 and \$703 for the years ended December 31, 2023 and 2022, respectively.

Recognition of Grant Support and Contracts

The Organization recognizes grant support and contracts to the extent that eligible grant and contract costs are incurred. Receivables are recognized to the extent that costs have been incurred, but not reimbursed. Deferred revenues are recognized to the extent that advances of funds have been made which exceed eligible costs incurred.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services.

Program services – Comprise activities that contribute to the Organization's mission or educating and engaging all people across the state to ensure that children are healthy, safe, well-educated and have every opportunity for success.

Supporting services – Includes activities such as management and general services required to ensure an adequate working environment, provide administrative support and manage the Organization's financial and budgetary functions.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Actual results could differ from those estimates.

NC CHILD
Notes to Financial Statements
December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization reports investments in marketable securities with readily determinable fair values, and all investments in debt securities at their fair value in the statements of financial position. Unrealized gains and losses are included in the increase (decrease) in net assets in the accompanying statements of activities and changes in net assets.

Investments are exposed to various risk such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Investment income on the statements of activities includes interest, dividends and capital gains distributions earned by the investments during the year. Related investment expenses have been netted with investment income.

Fair Value Measurement

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted process in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1- Quoted prices in active markets for identical assets or liabilities at the measurement dates;
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3 – Unobservable inputs that are supported by little or no market activity and that reflect the Organization’s own assumptions about market prices.

Recently Issued Accounting Standards

Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07)— Effective in 2022, the amendments in this Update apply to nonprofit organizations that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments address presentation and disclosure of contributed nonfinancial assets. The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets.

NC CHILD
Notes to Financial Statements
December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FASB issued ASU 2016-02, Leases (Topic 842), in February 2016. The standard is effective for all entities with fiscal years beginning after December 15, 2021. This standard requires that all leases (both operating and finance) to be recorded on the balance sheet.

2. CONCENTRATION OF CREDIT RISK

The Organization occasionally maintains deposits in excess of federally insured limits. The Organization maintains its cash balances in reputable financial institutions in the United States of American and accounts at each institution are insured by the Federal Deposit Insurance Corporations up to \$250,000 at each financial institution. FASB ASC 825, *Financial Instruments*, identifies these items as a concentration of credit risk requiring disclosure, regardless of risk. At December 31, 2023 and 2022, the Organization’s uninsured cash balances were \$2,721,289 and \$1,345,179, respectively.

3. INVESTMENTS

Investments at December 31, 2023 consisted of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Money market funds	\$ 13,439	\$ 13,439	\$ -
Bonds	999,374	1,000,954	1,580
Mutual funds	400,050	430,402	30,352
	<u>\$ 1,412,864</u>	<u>\$ 1,444,795</u>	<u>\$ 31,932</u>

Investments at December 31, 2022 consisted of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Money market funds	\$ 12,392	\$ 12,392	\$ -
Bonds	11,522	11,070	(452)
Mutual funds	348,668	354,485	5,818
	<u>\$ 372,582</u>	<u>\$ 377,947</u>	<u>\$ 5,366</u>

A portion of the investments described above are endowment assets and the gift corpus of such investments is permanently restricted. These assets are measured at fair value on a recurring basis using quoted prices in active markets (Level 1). Investment income is presented net of investment fees of \$7,092 as of December 31, 2023.

NC CHILD
Notes to Financial Statements
December 31, 2023 and 2022

4. ENDOWMENT OF NET ASSETS

The Organization's endowment consists of funds established primarily to support the Organization's mission and operations. The endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State of North Carolina's version of *The Uniform Prudent Management Institutional Funds act* (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions all funds until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA, including but not limited to: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the director of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Board has established an Operating Reserve which is comprised of undesignated reserve funds and Board-designated reserve funds, both of which are included in net assets without restriction that are available to use to sustain financial operations and/or losses in operating revenues. The target minimum funds in the reserve is equal to three months of operating expenses.

The Organization has a spending policy of appropriating all funds over its board-designated amount according to its operating reserves policy.

To achieve that objective, the Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset and holding period mix, which is intended to preserve and protect the principal balance of endowed funds while achieving a long-term net rate of return sufficient to increase the amount of the Board Designated Reserve Fund to allow expenditures as outline in the organization's Operating Reserve Policy. The Organization also attempts to seek investments with positive social and environmental impacts that are aligned with the priorities and values of NC Child. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

NC CHILD
Notes to Financial Statements
December 31, 2023 and 2022

4. ENDOWMENT OF NET ASSETS (Continued)

Endowment net asset composition by type of fund as of December 31, 2023 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2023	\$ 167,508	\$ 210,439	\$ 377,947
Contributions	1,000,000	-	1,000,000
Investment income, net of fees	5,080	13,348	18,428
Net appreciation (realized and unrealized)	13,348	35,072	48,420
Total investment return	18,428	48,420	66,848
Appropriations of endowment assets for expenditure	-	-	-
Transfer	48,420	(48,420)	-
Endowment net assets, December 31, 2023	\$ 1,234,356	\$ 210,439	\$ 1,444,795

Endowment net asset composition by type of fund as of December 31, 2022 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2022	\$ 247,409	\$ 210,439	\$ 457,848
Contributions	-	-	-
Investment income, net of fees	(4,030)	21,976	17,945
Net appreciation (realized and unrealized)	21,976	(119,822)	(97,846)
Total investment return	17,945	(97,846)	(79,901)
Appropriations of endowment assets for expenditure	-	-	-
Transfer	(97,846)	97,846	-
Endowment net assets, December 31, 2022	\$ 167,508	\$ 210,439	\$ 377,947

As of December 31, 2023 and 2022, the Board of Directors designated \$234,356 and \$167,508, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

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4. ENDOWMENT OF NET ASSETS (Continued)

Endowment net assets as of December 31, 2023 are summarized as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 210,439	\$ 210,439
Board-designated endowment funds	<u>1,234,356</u>	<u>-</u>	<u>1,234,356</u>
Total funds	<u>\$ 1,234,356</u>	<u>\$ 210,439</u>	<u>\$ 1,444,795</u>

Endowment net assets as of December 31, 2022 are summarized as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 210,439	\$ 210,439
Board-designated endowment funds	<u>167,508</u>	<u>-</u>	<u>167,508</u>
Total funds	<u>\$ 167,508</u>	<u>\$ 210,439</u>	<u>\$ 377,947</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Leasehold improvements	\$ -	\$ -
Office furniture and equipment	10,479	8,310
Software	<u>-</u>	<u>-</u>
Total	10,479	8,310
Less accumulated depreciation	<u>(6,910)</u>	<u>(6,408)</u>
	<u>\$ 3,569</u>	<u>\$ 1,902</u>

Depreciation expense for the year was \$502 and \$248 for the years ended December 31, 2023 and 2022.

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6. LEASE COMMITMENTS

Operating Leases

The Organization signed a new lease agreement for office space in January 2017. This lease term is for five years through January 2022. The lease calls for monthly payments of \$3,174 for the first three years followed by a 3% increase on the fourth anniversary of the rent commencement date and continues each anniversary of the commencement date thereafter. The lease was amended in 2019 to allow for more space. Due to the additional space taken on by the Organization the lease now calls for monthly payments of \$4,797 with the 3% increase taking place in February of each following year until the lease expired in January 2022.

The lease was amended again in December 2021 for an additional two years. The amendment starts in February 2022 and expires in January 2024. The first year requires monthly payments of \$5,241 and \$5,399 for the second year. The lease agreement qualifies as other than short-term lease under ASC 942 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The lease liability is measured at a discount rate of 3.25%, based on the short-term lending rate as of the start of the fiscal year. As a result of the lease, the Company has recorded a right to use asset with original value of \$123,818 and a net book value of \$5,320 as of December 31, 2023.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2023 were as follows:

Year Ending	Principal	Interest	Total
2024	5,399	-	5,399
Total	\$ 5,399	\$ -	\$ 5,399

7. LINE OF CREDIT

The Organization had a line of credit available through a financial institution in the amount of \$100,000. Interest was due monthly at 4% or the prime rate. Principal plus any accrued interest was due in full at maturity on January 7, 2016. The Organization paid off the line of credit balance in full upon maturity on January 7, 2016. After the line was paid off, it was subsequently refinanced on January 10, 2016. The new line had a maximum limit of \$50,000 and accrued interest at the Bank's prime rate plus .75%. The full principal balance, plus any accrued interest, is due in full at maturity on January 10, 2017. The line of credit was modified on January 17, 2017 to extend the line for an additional two years through January 2019. The line of credit has since been modified for two year periods until January 2025. The outstanding principal balance at December 31, 2023 and 2022 was \$0 and \$0, respectively.

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8. CONTINGENCIES

The Organization receives grant funds. Costs related to such funds are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Organization. Management believes that there are no required refunds and therefore no provision has been made in the accompanying financial statements for the refund of grant monies.

9. LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	2023	2022
Cash and cash equivalents	\$ 3,447,203	\$ 2,077,396
Accounts receivable	-	-
Grants receivable	100,000	109,000
Other receivables	3,791	3,791
Less: Accounts payable	(21,278)	(14,040)
Total financial assets available to meet general Expenditures within the next 12 months	\$ 3,529,716	\$ 2,176,147

As part of the Organization’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.

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. As described in Note 4, the Organization’s board-designated endowments are subject to its operating reserves policy. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated per the board’s operating reserves policy), these amounts could be made available if necessary.

As part the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the board will designate a portion of any operating surplus to its operating reserve, which was \$0 and \$0 as of December 31, 2023 and 2022, respectively.

10. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2023 and 2022, members of the Board of Directors made contributions to the Organization of \$15,361 and \$18,692, respectively.

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11. MAJOR SOURCES OF REVENUE AND SUPPORT

During the years ended December 31, 2023 and 2022, the Organization received 95% and 99%, respectively, of its total operating revenues and other support in the form of grants and contributions.

12. RETIREMENT PLAN

The Organization offers a 403(b) Thrift Plan to all employees. Participating employees may elect to contribute any percentage of their annual earnings, subject to the tax law ceiling. The Organization made matching contributions to the plan totaling \$31,457 and \$41,258, respectively, during the years ended December 31, 2023 and 2022.

13. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through April 29, 2024 which is the date the financial statements were available to be issued.