

Independent Auditors' Reports as  
Required by Title 2 U.S. *Code of  
Federal Regulations* Part 200, *Uniform  
Administrative Requirements, Cost  
Principles, and Audit Requirements for  
Federal Awards and Government  
Auditing Standards* and Related  
Information

**The National Center for Missing and Exploited  
Children**

December 31, 2022 and 2021

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
The National Center for Missing and Exploited Children

**Report on the financial statements****Opinion**

We have audited the financial statements of The National Center for Missing and Exploited Children (“NCMEC”), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of NCMEC as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 NCMEC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 NCMEC’s ability to continue as a going concern for one year after the date the financial statements are 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 US GAAS 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 US GAAS 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 NCMEC'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 NCMEC'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 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. The schedule of indirect cost pool, applicable base, and final overhead rate calculation and the schedule of fringe cost pool, applicable base, and final fringe rate calculation for the year ended December 31, 2022 are also presented for additional analysis and are not a required part of the financial statements. Such supplementary 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 audits of the financial statements and certain additional procedures. These additional procedures included 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 US GAAS. In our opinion, the accompanying supplementary information 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 April 26, 2023 on our consideration of NCMEC'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 NCMEC'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 NCMEC's internal control over financial reporting and compliance.

*Grant Thornton LLP*

Arlington, Virginia  
April 26, 2023

The National Center for Missing and Exploited Children

STATEMENTS OF FINANCIAL POSITION

December 31,

|   | <u>2022</u>          | <u>2021</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>                               |                      |                      |
| <b>Current assets</b>                       |                      |                      |
| Cash and cash equivalents                   | \$ 25,239,418        | \$ 16,114,547        |
| Accounts receivable, net                    | 3,318,801            | 6,383,002            |
| Pledges receivable, net                     | 1,470,801            | 2,138,301            |
| Prepaid expenses and other assets           | 892,115              | 835,059              |
|   | <u>30,921,135</u>    | <u>25,470,909</u>    |
| <b>Noncurrent assets</b>                    |                      |                      |
| Investments                                 | 36,887,788           | 39,921,183           |
| Pledges receivable, long-term               | 54,475               | 556,456              |
| Property and equipment, net                 | 7,301,168            | 7,924,415            |
| Right of use assets                         | 17,891,607           | 19,205,380           |
| Other non-current assets                    | 681,595              | 680,893              |
|   | <u>62,816,633</u>    | <u>68,288,327</u>    |
| Total current assets                        | <u>30,921,135</u>    | <u>25,470,909</u>    |
| Total noncurrent assets                     | <u>62,816,633</u>    | <u>68,288,327</u>    |
| Total assets                                | <u>\$ 93,737,768</u> | <u>\$ 93,759,236</u> |
| <b>LIABILITIES AND NET ASSETS</b>           |                      |                      |
| <b>Current liabilities</b>                  |                      |                      |
| Accounts payable and accrued expenses       | \$ 2,079,520         | \$ 2,125,157         |
| Accrued salaries and benefits               | 1,594,561            | 1,517,517            |
| Lease liabilities, current portion          | -                    | 60,598               |
|   | <u>3,674,081</u>     | <u>3,703,272</u>     |
| Total current liabilities                   | <u>3,674,081</u>     | <u>3,703,272</u>     |
| <b>Noncurrent liabilities</b>               |                      |                      |
| Lease liabilities                           | 22,553,943           | 24,230,967           |
| Post-employment benefit liability           | 885,742              | 1,202,846            |
| Other non-current liabilities               | 6,331                | 11,719               |
|   | <u>23,446,016</u>    | <u>25,445,532</u>    |
| Total noncurrent liabilities                | <u>23,446,016</u>    | <u>25,445,532</u>    |
| Total liabilities                           | <u>27,120,097</u>    | <u>29,148,804</u>    |
| <b>Net assets</b>                           |                      |                      |
| Without donor restrictions:                 |                      |                      |
| Undesignated                                | 29,281,064           | 23,377,362           |
| Board-designated                            | 33,159,304           | 37,743,412           |
|   | <u>62,440,368</u>    | <u>61,120,774</u>    |
| Total net assets without donor restrictions | <u>62,440,368</u>    | <u>61,120,774</u>    |
| With donor restrictions                     | <u>4,177,303</u>     | <u>3,489,658</u>     |
| Total net assets                            | <u>66,617,671</u>    | <u>64,610,432</u>    |
| Total liabilities and net assets            | <u>\$ 93,737,768</u> | <u>\$ 93,759,236</u> |

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

The National Center for Missing and Exploited Children

STATEMENT OF ACTIVITIES

Year ended December 31, 2022

|  | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total                |
|--|----------------------------------|-------------------------------|----------------------|
| <b>Revenue and other support</b>                         |                                  |                               |                      |
| Government contracts and grants                          | \$ 45,610,970                    | \$ -                          | \$ 45,610,970        |
| Contributions of cash and other financial assets         | 8,251,108                        | 4,199,447                     | 12,450,555           |
| Contributions of nonfinancial assets and services        | 7,224,817                        | -                             | 7,224,817            |
| Special events, net of direct benefit costs of \$520,442 | 1,207,650                        | -                             | 1,207,650            |
| Other income (loss)                                      | 206,633                          | (8,133)                       | 198,500              |
| Net assets released from restrictions                    |                                  |                               |                      |
| Satisfaction of program restrictions                     | 2,187,409                        | (2,187,409)                   | -                    |
| Satisfaction of time restrictions                        | 956,260                          | (956,260)                     | -                    |
|  | <u>65,644,847</u>                | <u>1,047,645</u>              | <u>66,692,492</u>    |
| <b>Operating expenses</b>                                |                                  |                               |                      |
| Program services   |                                  |                               |                      |
| Community outreach and training                          | 6,641,429                        | -                             | 6,641,429            |
| Missing child case management                            | 12,528,855                       | -                             | 12,528,855           |
| Information and case analysis                            | 15,545,559                       | -                             | 15,545,559           |
| Family advocacy and survivor services                    | 2,080,314                        | -                             | 2,080,314            |
| Exploited child case management                          | 18,972,481                       | -                             | 18,972,481           |
|  | <u>55,768,638</u>                | <u>-</u>                      | <u>55,768,638</u>    |
| Supporting services                                      |                                  |                               |                      |
| Management and general                                   | 1,744,409                        | -                             | 1,744,409            |
| Fundraising  | 2,281,598                        | -                             | 2,281,598            |
|  | <u>4,026,007</u>                 | <u>-</u>                      | <u>4,026,007</u>     |
|  | <u>59,794,645</u>                | <u>-</u>                      | <u>59,794,645</u>    |
| Change in net assets from operations                     | 5,850,202                        | 1,047,645                     | 6,897,847            |
| <b>Non-operating activities</b>                          |                                  |                               |                      |
| Investment loss  | (4,847,712)                      | -                             | (4,847,712)          |
| Loss on uncollectible pledges and termination of grants  | -                                | (360,000)                     | (360,000)            |
| Change in post-employment benefit liability              | 317,104                          | -                             | 317,104              |
|  | <u>1,319,594</u>                 | <u>687,645</u>                | <u>2,007,239</u>     |
| <b>Net assets, beginning of year</b>                     | <u>61,120,774</u>                | <u>3,489,658</u>              | <u>64,610,432</u>    |
| <b>Net assets, end of year</b>                           | <u>\$ 62,440,368</u>             | <u>\$ 4,177,303</u>           | <u>\$ 66,617,671</u> |

The accompanying notes are an integral part of this financial statement.

The National Center for Missing and Exploited Children

STATEMENT OF ACTIVITIES

Year ended December 31, 2021

|  | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total                |
|--|----------------------------------|-------------------------------|----------------------|
| <b>Revenue and other support</b>                         |                                  |                               |                      |
| Government contracts and grants                          | \$ 41,863,909                    | \$ -                          | \$ 41,863,909        |
| Contributions of cash and other financial assets         | 7,317,976                        | 1,817,173                     | 9,135,149            |
| Contributions of nonfinancial assets and services        | 7,416,952                        |                               | 7,416,952            |
| Special events, net of direct benefit costs of \$132,758 | 1,136,200                        | -                             | 1,136,200            |
| Other income   | 107,224                          | 5,022                         | 112,246              |
| Net assets released from restrictions                    |                                  |                               |                      |
| Satisfaction of program restrictions                     | 927,035                          | (927,035)                     | -                    |
| Satisfaction of time restrictions                        | 1,114,234                        | (1,114,234)                   | -                    |
|  | <u>59,883,530</u>                | <u>(219,074)</u>              | <u>59,664,456</u>    |
| <b>Operating expenses</b>                                |                                  |                               |                      |
| Program services   |                                  |                               |                      |
| Community outreach and training                          | 6,734,408                        | -                             | 6,734,408            |
| Missing child case management                            | 13,055,210                       | -                             | 13,055,210           |
| Information and case analysis                            | 13,528,370                       | -                             | 13,528,370           |
| Family advocacy and survivor services                    | 1,976,443                        | -                             | 1,976,443            |
| Exploited child case management                          | 15,247,842                       | -                             | 15,247,842           |
|  | <u>50,542,273</u>                | <u>-</u>                      | <u>50,542,273</u>    |
| Supporting services                                      |                                  |                               |                      |
| Management and general                                   | 847,748                          | -                             | 847,748              |
| Fundraising  | 3,368,690                        | -                             | 3,368,690            |
|  | <u>4,216,438</u>                 | <u>-</u>                      | <u>4,216,438</u>     |
| Total operating expenses                                 | <u>54,758,711</u>                | <u>-</u>                      | <u>54,758,711</u>    |
| Change in net assets from operations                     | 5,124,819                        | (219,074)                     | 4,905,745            |
| <b>Non-operating activities</b>                          |                                  |                               |                      |
| Investment gain  | 3,716,222                        | -                             | 3,716,222            |
| Change in post-employment benefit liability              | 295,032                          | -                             | 295,032              |
|  | <u>9,136,073</u>                 | <u>(219,074)</u>              | <u>8,916,999</u>     |
| <b>Net assets, beginning of year</b>                     | <u>51,984,701</u>                | <u>3,708,732</u>              | <u>55,693,433</u>    |
| <b>Net assets, end of year</b>                           | <u>\$ 61,120,774</u>             | <u>\$ 3,489,658</u>           | <u>\$ 64,610,432</u> |

The accompanying notes are an integral part of this financial statement.



The National Center for Missing and Exploited Children

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022

|                                   | Program Services                   |                                     |                                     |   |                                       | Total<br>Program<br>Services |
|-----------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---|---------------------------------------|------------------------------|
|                                   | Community Outreach<br>and Training | Missing<br>Child Case<br>Management | Information<br>and Case<br>Analysis | Family Advocacy<br>and Survivor<br>Services | Exploited<br>Child Case<br>Management |                              |
| Personnel                         | \$ 3,331,717                       | \$ 8,487,128.00                     | \$ 7,021,154                        | \$ 1,094,464                                | \$ 10,332,609                         | \$ 30,267,072                |
| Fringe benefits                   | 970,745                            | 2,184,419                           | 1,859,553                           | 284,959                                     | 2,737,728                             | 8,037,404                    |
| Staff travel                      | 125,997                            | 99,924                              | 115,912                             | 18,683                                      | 232,537                               | 593,053                      |
| Supplies and equipment            | 217,739                            | 177,695                             | 758,896                             | 39,066                                      | 2,409,289                             | 3,602,685                    |
| Occupancy                         | 317,010                            | 811,535                             | 451,216                             | 110,924                                     | 951,137                               | 2,641,822                    |
| Business services                 | 1,076,377                          | 218,233                             | 3,625,383                           | 30,184                                      | 784,082                               | 5,734,259                    |
| Professional services             | 428,146                            | 292,073                             | 1,574,055                           | 428,152                                     | 1,440,684                             | 4,163,110                    |
| Participant and consultant travel | 45,873                             | 144,898                             | 9,860                               | 56,024                                      | 30,816                                | 287,471                      |
| Office support                    | 127,825                            | 112,950                             | 129,530                             | 17,858                                      | 53,599                                | 441,762                      |
| Total                             | <u>\$ 6,641,429</u>                | <u>\$ 12,528,855</u>                | <u>\$ 15,545,559</u>                | <u>\$ 2,080,314</u>                         | <u>\$ 18,972,481</u>                  | <u>\$ 55,768,638</u>         |
|                                   | <b>Supporting Services</b>         |                                     |                                     |   |                                       |                              |
|                                   | Management<br>and General          | Fundraising                         | Total<br>Supporting<br>Services     | Total<br>Expenses                           |                                       |                              |
| Personnel                         | \$ 792,479                         | \$ 1,308,524                        | \$ 2,101,003                        | \$ 32,368,075                               |                                       |                              |
| Fringe benefits                   | 207,238                            | 343,773                             | 551,011                             | 8,588,415                                   |                                       |                              |
| Staff travel                      | 25,134                             | 39,738                              | 64,872                              | 657,925                                     |                                       |                              |
| Supplies and equipment            | 26,080                             | 91,370                              | 117,450                             | 3,720,135                                   |                                       |                              |
| Occupancy                         | 144,458                            | 96,399                              | 240,857                             | 2,882,679                                   |                                       |                              |
| Business services                 | 24,661                             | 96,102                              | 120,763                             | 5,855,022                                   |                                       |                              |
| Professional services             | 368,340                            | 281,361                             | 649,701                             | 4,812,811                                   |                                       |                              |
| Participant and consultant travel | 1,945                              | 246                                 | 2,191                               | 289,662                                     |                                       |                              |
| Office support                    | 154,074                            | 24,085                              | 178,159                             | 619,921                                     |                                       |                              |
| Total                             | <u>\$ 1,744,409</u>                | <u>\$ 2,281,598</u>                 | <u>\$ 4,026,007</u>                 | <u>\$ 59,794,645</u>                        |                                       |                              |

The accompanying notes are an integral part of this financial statement.

The National Center for Missing and Exploited Children

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2021

|                                   | Program Services                   |                                     |                                     |   |                                       | Total<br>Program<br>Services |
|-----------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---|---------------------------------------|------------------------------|
|                                   | Community Outreach<br>and Training | Missing<br>Child Case<br>Management | Information<br>and Case<br>Analysis | Family Advocacy<br>and Survivor<br>Services | Exploited<br>Child Case<br>Management |                              |
| Personnel                         | \$ 3,835,669                       | \$ 8,494,566                        | \$ 6,545,337                        | \$ 1,083,632                                | \$ 7,932,676                          | \$ 27,891,880                |
| Fringe benefits                   | 1,064,105                          | 2,358,609                           | 1,803,725                           | 292,973                                     | 2,203,785                             | 7,723,197                    |
| Staff travel                      | 9,608                              | 18,145                              | 17,125                              | 2,860                                       | 21,888                                | 69,626                       |
| Supplies and equipment            | 171,288                            | 212,184                             | 902,142                             | 9,775                                       | 732,494                               | 2,027,883                    |
| Occupancy                         | 364,721                            | 939,462                             | 565,500                             | 111,868                                     | 757,062                               | 2,738,613                    |
| Business services                 | 1,003,190                          | 189,162                             | 1,904,125                           | 24,639                                      | 583,276                               | 3,704,392                    |
| Professional services             | 235,762                            | 526,842                             | 1,655,412                           | 384,775                                     | 2,989,552                             | 5,792,343                    |
| Participant and consultant travel | 523                                | 68,937                              | -                                   | 57,114                                      | -                                     | 126,574                      |
| Office support                    | 49,542                             | 247,303                             | 135,004                             | 8,807                                       | 27,109                                | 467,765                      |
| <b>Total</b>                      | <b>\$ 6,734,408</b>                | <b>\$ 13,055,210</b>                | <b>\$ 13,528,370</b>                | <b>\$ 1,976,443</b>                         | <b>\$ 15,247,842</b>                  | <b>\$ 50,542,273</b>         |
|                                   | Supporting Services                |                                     |                                     |   | Total<br>Expenses                     |                              |
|                                   | Management<br>and General          | Fundraising                         | Total<br>Supporting<br>Services     | Total<br>Expenses                           |                                       |                              |
| Personnel                         | \$ 525,325                         | \$ 1,227,270                        | \$ 1,752,595                        | \$ 29,644,475                               |                                       |                              |
| Fringe benefits                   | 145,898                            | 334,645                             | 480,543                             | 8,203,740                                   |                                       |                              |
| Staff travel                      | 882                                | 5,008                               | 5,890                               | 75,516                                      |                                       |                              |
| Supplies and equipment            | 18,701                             | 76,993                              | 95,694                              | 2,123,577                                   |                                       |                              |
| Occupancy                         | 26,694                             | 137,191                             | 163,885                             | 2,902,498                                   |                                       |                              |
| Business services                 | 10,611                             | 606,118                             | 616,729                             | 4,321,121                                   |                                       |                              |
| Professional services             | 96,769                             | 896,460                             | 993,229                             | 6,785,572                                   |                                       |                              |
| Participant and consultant travel | 1,000                              | 79                                  | 1,079                               | 127,653                                     |                                       |                              |
| Office support                    | 21,868                             | 84,926                              | 106,794                             | 574,559                                     |                                       |                              |
| <b>Total</b>                      | <b>\$ 847,748</b>                  | <b>\$ 3,368,690</b>                 | <b>\$ 4,216,438</b>                 | <b>\$ 54,758,711</b>                        |                                       |                              |

The accompanying notes are an integral part of this financial statement.

The National Center for Missing and Exploited Children

STATEMENTS OF CASH FLOWS

Years ended December 31,

|   | <u>2022</u>                 | <u>2021</u>                 |
|---|-----------------------------|-----------------------------|
| <b>Cash flows from operating activities:</b>  |                             |                             |
| Change in net assets  | \$ 2,007,239                | \$ 8,916,999                |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                             |                             |
| Depreciation and amortization   | 623,247                     | 617,377                     |
| Net realized and unrealized loss (gain) on investments                                      | 5,594,173                   | (1,811,993)                 |
| Changes in assets and liabilities:  |                             |                             |
| Accounts receivable   | 3,064,201                   | (3,759,159)                 |
| Pledges receivable  | 1,169,481                   | 938,386                     |
| Prepaid expenses and other assets   | (57,056)                    | (218,986)                   |
| Right of use assets   | 1,313,773                   | 1,267,371                   |
| Accounts payable and accrued expenses   | (45,637)                    | 52,270                      |
| Accrued salaries and benefits   | 77,044                      | 73,981                      |
| Lease liability   | (1,737,622)                 | (1,691,213)                 |
| Post-employment benefit liability   | (317,104)                   | (295,032)                   |
| Other non-current assets/liabilities  | (6,090)                     | (21,394)                    |
|   | <u>11,685,649</u>           | <u>4,068,607</u>            |
| <b>Cash flows from investing activities:</b>  |                             |                             |
| Proceeds from sale investments  | 14,984,722                  | 7,351,872                   |
| Purchases of investments  | (17,545,500)                | (10,664,366)                |
| Purchases of property, equipment and leasehold improvements                                 | -                           | (75,627)                    |
|   | <u>(2,560,778)</u>          | <u>(3,388,121)</u>          |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>9,124,871</b>            | <b>680,486</b>              |
| <b>Cash and cash equivalents, beginning of year</b>   | <b>16,114,547</b>           | <b>15,434,061</b>           |
| <b>Cash and cash equivalents, end of year</b>   | <b><u>\$ 25,239,418</u></b> | <b><u>\$ 16,114,547</u></b> |

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

**The National Center for Missing and Exploited Children**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2022 and 2021**

**NOTE A - ORGANIZATION**

***Organization***

The National Center for Missing and Exploited Children (“NCMEC”) was incorporated January 23, 1984 as a District of Columbia corporation under the District of Columbia Nonprofit Corporation Act and operates as a national clearinghouse and technical center to work with issues regarding missing and exploited children. NCMEC’s primary sources of funding are grants from the federal government and private contributors.

NCMEC is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and has received a ruling of its status as a publicly supported organization as described in Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code.

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting.

Net assets and changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of NCMEC are classified and reported as follows:

Net assets without donor restrictions - net assets that are not subject to donor-imposed stipulations. The funds are available for the overall operations of NCMEC and include both internally designated and undesignated resources. The internally designated net assets are available for use at the Board of Director’s discretion.

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of NCMEC and/or the passage of time. In addition, net assets with donor restrictions also include net assets whereby the respective donors have stipulated that the principal contributed be invested and maintained in perpetuity. NCMEC did not have such net assets that are required to be invested and maintained in perpetuity for the years ended December 31, 2022 and 2021.

***Measure of Operations***

All activities, other than investment gains/losses, changes in the post-employment benefit liabilities and loss on uncollectible pledges and termination of grants, are reported as changes in net assets from operating activities within the statements of activities.

***Cash Equivalents***

NCMEC considers highly liquid investments purchased with original maturity dates of three months or less to be cash equivalents. Money market funds held in certain investment portfolios are considered cash equivalents, however, the funds are not intended to be used for general operating purposes and, therefore, are included in investments in the accompanying statements of financial position.

***Investments***

Investments consist of U.S. government and agency securities, corporate bonds, public and private equities, real estate investment trusts (“REITs”), hedge funds, certificates of deposit, and money market funds. These investments are recorded in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between marked participants at the measurement value. Investment income and losses, including unrealized gains and losses and interest and dividend income, are recognized in the accompanying statements of activities. Gains and losses on investments, realized and unrealized, are recorded as of the trade date.

**The National Center for Missing and Exploited Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

***Property and Equipment and Related Depreciation and Amortization***

NCMEC's method of accounting for furniture and equipment is in conformity with the method used to report on activities funded by its contracts and grants with the federal government. Accordingly, all furniture and equipment purchased with cooperative agreement funds are charged to expense when acquired, rather than being capitalized and depreciated over the useful life of the asset. NCMEC must use these assets in fulfilling the purpose of the cooperative agreements, and the funding agency has final determination for all disposals or transfers.

Furniture and equipment with a unit value exceeding \$10,000, purchased with nonfederal funds, are capitalized and depreciated on a straight-line basis over the estimated useful lives of the individual items. NCMEC in-kind software are depreciated on a straight-line basis over their estimated useful lives of three years. NCMEC buildings are depreciated on a straight-line basis over their estimated useful life of 30 years. Building-related improvements are depreciated on a straight-line basis over the lesser of the improvements' estimated useful lives of 15 years or the remaining life of the building. Leasehold improvements are stated at cost and are amortized using the straight-line method over the lesser of the estimated useful life of 15 years or remaining life of the lease.

***Contributions, Grants and Contracts Revenue***

Contributions are recognized when donations are made or pledged. NCMEC reports contributions within net assets with donor restrictions if they are received with donor or grantor stipulations that limit the use of the donated assets or include an explicit or implied time restriction. When a donor 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 accompanying statements of activities as net assets released from restrictions. Restricted contributions received in the same year in which the restriction is met are recorded as an increase to net assets without donor restrictions.

NCMEC recognizes government and private contracts and grants as either contributions or exchange transactions, depending on whether the transaction is reciprocal or nonreciprocal. For contributions, revenue is recognized when a contribution becomes unconditional. Typically, contract and grant agreements contain a right of return or release from obligation provision and NCMEC has limited discretion over how funds transferred should be spent. As such, NCMEC recognizes revenue for these conditional contributions when the related barrier has been overcome.

NCMEC's outstanding conditional contributions, which are to be recognized as revenue as conditions are met, totaled approximately \$40.65 and \$40.8 million at December 31, 2022 and 2021, respectively.

For contracts and grants treated as exchange transactions, NCMEC has the right to consideration from the sponsoring organization in an amount that corresponds directly with the value to the sponsoring organization of NCMEC's performance completed to date (cost incurred). For these agreements, NCMEC recognizes revenue in the amount to which NCMEC has the right to invoice. Revenue recognized for grants and contracts treated as exchange transactions totaled \$1,071,150 and \$1,391,580 for the years ended December 31, 2022 and 2021, respectively. For expenses incurred in advance of receipts of funds from the sponsoring organization, NCMEC recorded accounts receivable totaling \$142,526 and \$112,022 at December 31, 2022 and 2021, respectively.

***Donated Equipment, Materials and Services***

The fair value of contributed services that are considered specialized and can be estimated are reflected in the accompanying financial statements. These items have been recorded among the various program expenses and contributions without donor restrictions in the accompanying financial statements.

**The National Center for Missing and Exploited Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

Donated furniture, equipment and software with a unit value over \$10,000 is recorded at fair value upon receipt and depreciated on a straight-line basis over the estimated useful life of the asset. During 2022 and 2021, no donated items were capitalized by NCMEC.

***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain operating costs are allocated among the benefiting program and supporting services based on specific identification or appropriate methodologies such as square footage and level of effort.

***Fundraising Costs***

Revenue derived from specific fundraising activities is presented in the accompanying statements of activities, net of direct benefit costs to donors. General fundraising costs totaled \$2,281,598 and \$3,368,690 for the years ended December 31, 2022 and 2021, respectively. Of the total fundraising costs, \$0 and \$1,057,248 for the years ended December 31, 2022 and 2021, respectively, relate to in-kind goods and services.

***Use of Estimates***

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

***Recently Adopted Accounting Pronouncements***

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets through enhancement to presentation and disclosure. The new guidance requires contributed nonfinancial assets to be presented as a separate line item on the statement of activities, apart from cash and other financial asset contributions. This guidance also requires disclosure of the types of contributed nonfinancial assets and, for each category, information about whether the assets were monetized or utilized, a description of the policies to monetize or utilize such assets, a description of donor-imposed restrictions associated with the contributions, and a description of the valuation techniques and principal market used to arrive at a fair value measure at initial recognition. In fiscal year 2022, NCMEC retrospectively adopted the provisions of ASU No. 2020-07.

The National Center for Missing and Exploited Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

**NOTE B - CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES**

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets and services recognized within the statements of activities consisted of the following:

| Description                      | 2022                | 2021                | Utilization in Programs/Services                                | Donor Restrictions               | Valuation Techniques and Inputs                                       |
|----------------------------------|---------------------|---------------------|---|----------------------------------|---|
| Software, license and equipment  | \$ 6,077,456        | \$ 6,276,441        | Recorded as part of the program or supporting service benefited | No associated donor restrictions | Based on current rates for similar software license and subscriptions |
| Legal and professional services  | 155,588             | 341,056             | Recorded as part of the program or supporting service benefited | No associated donor restrictions | Based on current rates for similar services                           |
| Advertising/media space and time | 931,000             | 794,780             | Recorded as part of the program or supporting service benefited | No associated donor restrictions | Based on current rates for media space and time                       |
| Other                            | 60,773              | 4,675               | Distributed and/or utilized in program or supporting services   | No associated donor restrictions | Based on current rates for similar services                           |
| Total                            | <u>\$ 7,224,817</u> | <u>\$ 7,416,952</u> |   |                                  |   |

**NOTE C - FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

As of December 31, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

|  | 2022                 | 2021                 |
|--|----------------------|----------------------|
| Cash and cash equivalents                          | \$ 25,239,418        | \$ 16,114,547        |
| Accounts receivable, net                           | 3,318,801            | 6,383,002            |
| Pledges receivable, net (due within one year)      | 1,470,801            | 2,138,301            |
| Investments  | 36,887,788           | 39,921,183           |
| Less: board designated funds                       | (33,159,304)         | (37,743,412)         |
| Less: net assets with donor restrictions - purpose | (3,375,120)          | (1,962,326)          |
| Total  | <u>\$ 30,382,383</u> | <u>\$ 24,851,295</u> |

NCMEC maintains cash balances at a level designed to ensure short-term liquidity. In addition, a suitable proportion of NCMEC's investment balances are held in instruments that can readily be converted to cash, if needed. NCMEC prepares and monitors a 12-month rolling cash flow forecast in order to identify and address any threats to short-term liquidity.

The National Center for Missing and Exploited Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

**NOTE D - ACCOUNTS AND PLEDGES RECEIVABLE**

Accounts receivable consist mainly of short-term contributions and costs incurred that are due to be reimbursed under the terms of NCMEC's federal contracts and grants. All are due within one year and are expected to be fully collectible.

Pledges receivable represent unconditional promises to give by donors. Unconditional promises to give (pledges) are recognized as revenue and pledge receivables in the period the promises are made. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate commensurate with the risk involved applicable to the years in which the promises are received. Amounts due in less than one year amounted to \$1,470,801 and \$2,138,301 as of December 31, 2022 and 2021, respectively. The gross amounts due in one to two years amounted to \$55,000 and \$560,000 as of December 31, 2022 and 2021, respectively. The discount on the long-term pledges totaled \$525 and \$3,544 as of December 31, 2022 and 2021, respectively. Discount rates range from 0.07% and 0.32% for the years ended December 31, 2022 and 2021. No allowance for uncollectible pledges has been established as of and for the years ended December 31, 2022 and 2021. For the year ended December 31, 2022, NCMEC recognized a loss of \$360,000 as a result of pledges deemed uncollectible and the termination of grants.

**NOTE E - INVESTMENTS**

As of December 31, 2022 and 2021, NCMEC's investments consisted of the following:

|   | <u>2022</u>          | <u>2021</u>          |
|---|----------------------|----------------------|
| Money market funds                          | \$ 1,315,343         | \$ 1,199,606         |
| Equities                                    | 17,724,933           | 18,001,947           |
| Mutual funds                                | 7,811,997            | 9,440,823            |
| U.S. government bonds and agency securities | 5,105,256            | 5,743,344            |
| Corporate bonds                             | -                    | 590,301              |
| REITs                                       | 2,556,543            | 1,223,418            |
| Hedge funds                                 | 2,373,716            | 2,634,498            |
| Due from fund manager                       | <u>-</u>             | <u>1,087,246</u>     |
| Total investments, at fair value            | <u>\$ 36,887,788</u> | <u>\$ 39,921,183</u> |



The National Center for Missing and Exploited Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

**NOTE F - PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION**

NCMEC held the following property and equipment as of December 31:

|   | 2022         | 2021         |
|---|--------------|--------------|
| Building and improvements                       | \$ 2,403,506 | \$ 2,403,506 |
| Land  | 470,000      | 470,000      |
| In-kind software                                | 1,686,701    | 1,686,701    |
| Leasehold improvements                          | 7,911,664    | 7,911,664    |
| Furniture and equipment                         | 1,596,834    | 1,596,834    |
|   | <hr/>        | <hr/>        |
| Total property and equipment                    | 14,068,705   | 14,068,705   |
|   | <hr/>        | <hr/>        |
| Less: accumulated depreciation and amortization | (6,767,537)  | (6,144,290)  |
|   | <hr/>        | <hr/>        |
| Property and equipment, net                     | \$ 7,301,168 | \$ 7,924,415 |

For the years ended December 31, 2022 and 2021, depreciation and amortization expense totaled \$623,247 and \$617,377, respectively. Of this amount, \$423,852 for both 2022 and 2021 were related to the amortization of leasehold improvements acquired through a tenant improvement allowance.

**NOTE G - LINE OF CREDIT**

NCMEC has an existing line of credit with Merrill Lynch. The line of credit is fully secured by the balance in the NCMEC investment account held at Merrill Lynch Trust Company, which as of December 31, 2022 and 2021 totaled \$33,159,304 and \$37,743,412, respectively. There were no outstanding balances on the line of credit as of December 31, 2022 and 2021, and the available credit at both December 31, 2022 and 2021 was \$10,000,000. The interest rate on the line of credit is the average daily Bloomberg Short-Term Bank Yield Index ("BSBY") plus 1%. As of December 31, 2022 and 2021, the interest rate was 5.32% and 1.08%, respectively. Interest expense on the line of credit totaled \$0 for the years ended December 31, 2022 and 2021.

**NOTE H - OPERATING LEASES**

NCMEC assesses contracts at inception to determine whether an arrangement is or includes a lease, which conveys NCMEC's right to control the use of an identified asset for a period of time in exchange for consideration. NCMEC leases office space and equipment under noncancelable operating leases. NCMEC's office lease includes renewal options, however, these options do not impact the lease term as NCMEC is not reasonably certain that it will exercise these options. In addition, NCMEC also made the accounting policy election not to separate non-lease components from lease components for its operating leases. Furthermore, there are no leases under which NCMEC guarantees a residual value or faces restrictions on its ability to finance activities.

NCMEC's office lease is subject to scheduled escalations as well as escalations in operating costs and real estate taxes.

The National Center for Missing and Exploited Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The maturity analysis of NCMEC's operating lease agreements as of December 31, 2022 is as follows:

|                              |    |                    |
|------------------------------|----|--------------------|
| 2023                         | \$ | -                  |
| 2024                         |    | 649,377            |
| 2025                         |    | 2,492,768          |
| 2026                         |    | 2,554,988          |
| 2027                         |    | 2,862,953          |
| Thereafter                   |    | <u>18,744,483</u>  |
|                              |    | 27,304,569         |
| Less: present value discount |    | <u>(4,750,626)</u> |
| Total lease liabilities      | \$ | <u>22,553,943</u>  |

NCMEC made the accounting policy election to use a risk-free rate to compute the present value of lease payments for all leases. The weighted-average discount rate used for NCMEC's operating lease for the office space was 2.93% at both December 31, 2022 and 2021. The weighted-average remaining lease term for NCMEC's operating lease for the office space was 11 years and 12 years at December 31, 2022 and 2021, respectively.

Under generally accepted accounting principles, all fixed payments, reduced by lease incentives, variable payments dependent on a rate or index, and the exercise price of options reasonably certain to be exercised are included in the single lease cost and recognized on a straight-line basis ratably over the term of the lease. Lease cost for the years ended December 31, 2022 and 2021 totaled \$2,119,476. Cash paid for amounts included in the lease liability measurement for each of the years ended December 31, 2022 and 2021 totaled \$2,543,326.

**NOTE I - COMMITMENTS, RISKS AND CONTINGENCIES**

***Litigation***

NCMEC is involved in various claims and lawsuits arising from the normal conduct of its operations. Although the ultimate outcome of such legal proceedings cannot be predicted with certainty, management of NCMEC believes the resulting liability, if any, will have no material effect upon NCMEC's financial statements.

***Concentration of Risk***

During the years ended December 31, 2022 and 2021, NCMEC recognized revenue of \$45,610,970 and \$41,863,909, respectively, from the U.S. government, which was predominantly from the U.S. Department of Justice ("DOJ"). Revenue recognized from the U.S. government represented approximately 69% and 70% of the total revenue and support recognized by NCMEC for each of the years ended December 31, 2022 and 2021, respectively. Additionally, NCMEC received \$44,009,134 and \$40,028,443, 66% and 67% of the total revenue and support directly from DOJ for the years ended December 31, 2022 and 2021, respectively. If a significant reduction in this revenue should occur, it may adversely impact NCMEC's financial position and ability to carry out its program activities.

NCMEC's cash is comprised of amounts in accounts at various financial institutions. While the amount at a given bank, at times, exceeds the amount guaranteed by federal agencies and, therefore, bears some risk, NCMEC has not experienced, nor does it anticipate, any losses on its funds.

The National Center for Missing and Exploited Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

**Federal Funds**

The support from the DOJ and the majority of the U.S. Department of Homeland Security support is in the form of cost-reimbursable government contracts and grants. Amounts expended pursuant to the cost-reimbursable agreements are subject to adjustment based upon the DOJ's and the U.S. Department of Homeland Security's reviews of the separate annual audit, in accordance with the Uniform Guidance. Management believes it has complied with all applicable laws and regulations related to the agreements and that it is unlikely any material adjustments will result from the review.

**Provisional Fringe Benefit and Indirect Cost Rates**

Billings under cost reimbursable government contracts and grants are calculated using provisional rates that permit the recovery of fringe benefits and indirect costs. These rates are subject to audit on an annual basis by the DOJ, NCMEC's cognizant agency. The audit results in the negotiation and determination of the final indirect cost and fringe benefits rates, which may create a liability for indirect cost or fringe benefits recovery for amounts billed in excess of the actual rates or may allow for additional billings for unbilled indirect costs and fringe benefits.

The DOJ audits costs related to U.S. government contracts and grants in accordance with Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). The DOJ has yet to audit the costs and indirect cost rates for the year ended December 31, 2022. Management believes that cost disallowances, if any, arising from the DOJ's audits for 2022 will not have a material effect on NCMEC's financial position as of December 31, 2022, or the results of operations for the year then ended.

**NOTE J - NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2022 and 2021, net assets with donor restrictions are available for the following programs:

|                                    | 2022         | 2021         |
|------------------------------------|--------------|--------------|
| Internet safety initiatives        | \$ 2,714,315 | \$ 2,222,793 |
| Technology advancement initiatives | 736,545      | 330,629      |
| Outreach initiatives               | 702,068      | 903,728      |
| Emery remainder trust              | 24,375       | 32,508       |
| Total                              | \$ 4,177,303 | \$ 3,489,658 |

During 2022 and 2021, net assets were released from restrictions as follows:

|                                    | 2022         | 2021         |
|------------------------------------|--------------|--------------|
| Internet safety initiatives        | \$ 2,387,200 | \$ 1,379,550 |
| Technology advancement initiatives | 344,084      | 337,149      |
| Outreach initiatives               | 412,385      | 324,570      |
| Total                              | \$ 3,143,669 | \$ 2,041,269 |

The National Center for Missing and Exploited Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

**NOTE K - BOARD-DESIGNATED ENDOWMENT**

NCMEC's Board of Directors has established a board-designated fund, hereafter referred to as the endowment, to provide for the financial stability of NCMEC. 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 on the existence or absence of donor-imposed restrictions.

In April 2022, the Board of Directors approved a new target allocation for the funds in the endowment as follows:

|  | <u>Target</u> |
|--|---------------|
| Asset category   |               |
| Equities   | 48 to 58%     |
| Risk-free fixed income   | 25 to 35%     |
| Alternative investments - private equity, REITs, and hedge funds | 10 to 30%     |

All earnings of the endowment are reinvested within the endowment. The Board of Directors intends for the endowment to be used by NCMEC only upon approval of 75% of the members of the Board with fiduciary authority.

During the years ended December 31, 2022 and 2021, NCMEC had the following activity in its board-designated fund:

|  |                      |
|--|----------------------|
| Board-designated fund, January 1, 2021   | \$ 34,174,451        |
| Investment earnings                      | 3,809,556            |
| Investment fees                          | <u>(240,595)</u>     |
| Board-designated fund, December 31, 2021 | 37,743,412           |
| Investment losses                        | (4,360,329)          |
| Investment fees                          | <u>(223,779)</u>     |
| Board-designated fund, December 31, 2022 | <u>\$ 33,159,304</u> |

**NOTE L - FAIR VALUE MEASUREMENTS**

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, NCMEC has categorized its applicable financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement of the instrument.

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

- Level 1 - inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

The National Center for Missing and Exploited Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 - unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

The following table summarizes NCMEC's assets and liabilities measured at fair value on a recurring basis as of December 31, 2022:

|   | Level 1              | Level 2             | Reported<br>at NAV  | Total                |
|---|----------------------|---------------------|---------------------|----------------------|
| Investments:                                  |                      |                     |                     |                      |
| Money market funds                            | \$ 1,315,343         | \$ -                | \$ -                | \$ 1,315,343         |
| Equities                                      | 14,893,326           | -                   | 2,831,607           | 17,724,933           |
| Mutual funds                                  | 7,811,997            | -                   | -                   | 7,811,997            |
| U.S. government bond and<br>agency securities | -                    | 5,105,256           | -                   | 5,105,256            |
| Corporate bonds                               | -                    | -                   | -                   | -                    |
| REITs   | -                    | -                   | 2,556,543           | 2,556,543            |
| Hedge funds                                   | -                    | -                   | 2,373,716           | 2,373,716            |
|   | <u>\$ 24,020,666</u> | <u>\$ 5,105,256</u> | <u>\$ 7,761,866</u> | <u>\$ 36,887,788</u> |

The table below presents additional information for NCMEC's investments, as of December 31, 2022, whose fair value is estimated using the practical expedient of reported net assets value ("NAV").

|                | NAV<br>as of<br>December 31,<br>2022 | Unfunded<br>Commitments | Redemption<br>Frequency<br>(If Currently<br>Eligible) | Redemption<br>Notice Period |
|----------------|--------------------------------------|-------------------------|---|-----------------------------|
| Private equity | \$ 2,831,607                         | None                    | N/A   | N/A                         |
| REITs          | 2,556,543                            | None                    | Daily   | Daily                       |
| Hedge funds    | <u>2,373,716</u>                     | None                    | Monthly;<br>at Board's<br>Discretion                  | 30 to 95 days               |
|                | <u>\$ 7,761,866</u>                  |                         |   |                             |

The National Center for Missing and Exploited Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

The following table summarizes NCMEC's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021:

|   | Level 1              | Level 2             | Reported<br>at NAV  | Total                |
|---|----------------------|---------------------|---------------------|----------------------|
| Investments:                                  |                      |                     |                     |                      |
| Money market funds                            | \$ 1,199,606         | \$ -                | \$ -                | \$ 1,199,606         |
| Equities                                      | 17,820,656           | -                   | 181,291             | 18,001,947           |
| Mutual funds                                  | 9,440,823            | -                   | -                   | 9,440,823            |
| U.S. government bond and<br>agency securities | -                    | 5,743,344           | -                   | 5,743,344            |
| Corporate bonds                               | -                    | 590,301             | -                   | 590,301              |
| REITs   | -                    | -                   | 1,223,418           | 1,223,418            |
| Hedge funds                                   | -                    | -                   | 2,634,498           | 2,634,498            |
|   | <u>\$ 28,461,085</u> | <u>\$ 6,333,645</u> | <u>\$ 4,039,207</u> |                      |
| Subtotal                                      |                      |                     |                     | 38,833,937           |
| Due from fund manager                         |                      |                     |                     | <u>1,087,246</u>     |
| Investments                                   |                      |                     |                     | <u>\$ 39,921,183</u> |

The table below presents additional information for NCMEC's investments, as of December 31, 2021, whose fair value is estimated using the practical expedient of reported net assets value ("NAV").

|                | NAV<br>as of<br>December 31,<br>2021 | Unfunded<br>Commitments | Redemption<br>Frequency<br>(If Currently<br>Eligible) | Redemption<br>Notice Period |
|----------------|--------------------------------------|-------------------------|---|-----------------------------|
| Private equity | \$ 181,291                           | None                    | N/A   | N/A                         |
| REITs          | 1,223,418                            | None                    | Daily   | Daily                       |
| Hedge funds    | <u>2,634,498</u>                     | None                    | Monthly;<br>at Board's<br>Discretion                  | 30 to 95 days               |
|                | <u>\$ 4,039,207</u>                  |                         |   |                             |

NCMEC used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

U.S. government bonds and agency securities - valued at the closing price reported in the active market in which the individual security is traded.

Corporate bonds - valued at the closing price reported in the active market in which the bond is traded.

Equities and mutual funds - publicly traded equities are valued at the closing price reported in the active market in which the individual securities are traded.

Certificates of deposit - valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

**The National Center for Missing and Exploited Children**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2022 and 2021**

Money market funds - the NAV of funds held at the year end.

Hedge funds, REITs, and private equity investments - NCMEC's interests in these investments are generally reported at the NAV per share by the fund managers. This NAV is used as a practical expedient to estimate the fair value of such investments. Private equity investments can never be redeemed with the funds. Distributions from each private equity fund will be received as the underlying investments are liquidated, which is unknown as of December 31, 2022.

**NOTE M - PENSION PLAN**

NCMEC sponsors a defined contribution pension plan for all employees. Participation commences upon employment. NCMEC makes a contribution of 7% each pay period, for a total of 24 contributions during the year. Each employee is fully vested upon being credited with two plan years of service. Administrative expenses of the plan are paid with forfeited plan funds. Any expenses in excess of forfeited plan funds are paid by NCMEC. Pension expense totaled \$2,280,108 and \$2,067,709 for the years ended December 31, 2022 and 2021, respectively, and is classified as a fringe benefit in the accompanying statements of functional expenses.

**NOTE N - INCOME TAXES**

NCMEC follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

NCMEC is exempt from federal income tax under Internal Revenue Code section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. NCMEC has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. NCMEC has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

**NOTE O - POST-EMPLOYMENT BENEFITS**

NCMEC is providing post-employment benefits to certain former senior personnel on an individual basis. As of December 31, 2022 and 2021, the amounts are actuarially determined for health coverage in the amounts of \$885,742 and \$1,202,846, respectively. The significant assumptions used to determine the post-employment benefit obligation for continuation of healthcare as of December 31, 2022, was a discount rate ranging from 5.24% - 5.37%, assumed initial health care cost trend rate of 5.42% for medical, 4% for dental, and 2% for vision. The significant assumptions used to determine the post-employment benefit obligation for continuation of healthcare as of December 31, 2021, was a discount rate ranging from 2.51% - 2.82%, assumed initial health care cost trend rate of 5.52% for medical, 4.00% for dental, and 2.00% for vision. Mortality rates utilized were based upon the Society of Actuaries 2019 Mortality Table. Future mortality improvements are assumed to follow the 2022 Mortality Table.

The National Center for Missing and Exploited Children

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

**NOTE P - RECLASSIFICATION OF PROGRAMS**

Prior year program services expenses have been reclassified in the statement of activities and statement of functional expenses for consistency with current year presentation. Family advocacy and survivor services was added as a new program service while both training and community outreach were combined in to one program service. There were no changes to total assets, liabilities, net assets, revenues, expenses or changes in net assets as previously reported in the fiscal 2021 financial statements.

The following tables show 2021 program services expense categories before and after the reclassification.

Before reclassification:

|                                 |                      |
|---------------------------------|----------------------|
| Community outreach              | \$ 5,756,123         |
| Missing child case management   | 13,714,710           |
| Information and case analysis   | 14,667,404           |
| Training                        | 978,285              |
| Exploited child case management | <u>15,425,751</u>    |
| Total program services          | <u>\$ 50,542,273</u> |

After reclassification:

|                                       |                      |
|---------------------------------------|----------------------|
| Community outreach and training       | \$ 6,734,408         |
| Missing child case management         | 13,055,210           |
| Information and case analysis         | 13,528,370           |
| Family advocacy and survivor services | 1,976,443            |
| Exploited child case management       | <u>15,247,842</u>    |
| Total program services                | <u>\$ 50,542,273</u> |

**NOTE Q - SUBSEQUENT EVENTS**

NCMEC evaluated its December 31, 2022 financial statements for subsequent events through April 26, 2023, the date the financial statements were available to be issued.

NCMEC is not aware of any subsequent events which would require recognition or disclosure in the financial statements.



SUPPLEMENTARY INFORMATION

The National Center for Missing and Exploited Children  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended December 31, 2022

| Federal Grantor/Pass-through Grantor/Program Title  | Federal Assistance Listing No. | Grant Number            | Federal Expenditures | Provided to Subrecipients |
|---|--------------------------------|-------------------------|----------------------|---------------------------|
| <b>U.S. Department of Justice</b>   |                                |                         |                      |                           |
| Direct awards:  |                                |                         |                      |                           |
| Office of Juvenile Justice and Delinquency Prevention Services for Trafficking Victims                | 16.320                         | 2019-VM-BX-K052         | \$ 1,296,032         | \$ -                      |
| Total Assistance Listing No. 16.320   |                                |                         | <u>1,296,032</u>     | <u>-</u>                  |
| Direct awards:  |                                |                         |                      |                           |
| Office of Juvenile Justice and Delinquency Prevention Missing Children's Assistance                   | 16.543                         | 2020-MC-FX-K004         | 108,863              |                           |
| Missing Children's Assistance   | 16.543                         | 2020-MC-FX-K031         | 1,027                | -                         |
| Missing Children's Assistance   | 16.543                         | 15PJDP-21-GK-02819-MECP | 32,922,644           | -                         |
| Missing Children's Assistance   | 16.543                         | 15PJDP-21-GK-00998-MECP | 4,920,881            | -                         |
| Missing Children's Assistance   | 16.543                         | 15PJDP-22-GK-04703-MECP | 4,446,821            | -                         |
| Missing Children's Assistance   | 16.543                         | 15PJDP-22-GK-04704-MECP | 257,619              | -                         |
| Total Assistance Listing No. 16.534   |                                |                         | <u>42,657,855</u>    | <u>-</u>                  |
| Direct awards:  |                                |                         |                      |                           |
| Office of Victims of Crime Crime Victim Assistance  | 16.582                         | 2017-VR-GX-K001         | 55                   | -                         |
| Crime Victim Assistance   | 16.582                         | 2020-VR-GX-K001         | 42,319               | -                         |
| Total Assistance Listing No. 16.582   |                                |                         | <u>42,374</u>        | <u>-</u>                  |
| Pass through Awards:  |                                |                         |                      |                           |
| International Association of Chiefs of Police Edward Byrne Memorial Justice Assistance Grant Program  | 16.738                         | IACP-2021-7615-0        | 12,873               | -                         |
| <b>Total U.S. Department of Justice</b>   |                                |                         | <u>44,009,134</u>    | <u>-</u>                  |
| <b>U.S. Department of State</b>   |                                |                         |                      |                           |
| Pass through Awards:  |                                |                         |                      |                           |
| International Justice Mission International Programs to Combat Human Trafficking                      | 19.019                         | AWD-00075-01            | 205,165              | -                         |
| <b>Total U.S. Department of State</b>   |                                |                         | <u>205,165</u>       | <u>-</u>                  |
| <b>U.S. Department of Homeland Security</b>   |                                |                         |                      |                           |
| Direct awards:  |                                |                         |                      |                           |
| Immigration and Customs Enforcement CyberTipline  | 97.076                         | 18CECYT00002            | 325,003              | -                         |
| <b>Total U.S. Department of Homeland Security</b>   |                                |                         | <u>325,003</u>       | <u>-</u>                  |
| <b>U.S. Department of Health and Human Services</b>   |                                |                         |                      |                           |
| Pass through Awards:  |                                |                         |                      |                           |
| Northeastern University Injury Prevention and Control Research and State and Community Based Programs | 93.136                         | 500801-78051            | 518                  | -                         |
| <b>Total U.S. Department of Health and Human Services</b>   |                                |                         | <u>518</u>           | <u>-</u>                  |
| <b>Total Expenditures of Federal Awards</b>   |                                |                         | <u>\$ 44,539,820</u> | <u>\$ -</u>               |

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

**The National Center for Missing and Exploited Children**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended December 31, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred. Expenses are incurred using the cost accounting principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Under those cost principles, certain types of expenses are not allowable or are limited as to reimbursement.

**NOTE B - RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO FINANCIAL STATEMENTS**

|   |                      |
|---|----------------------|
| Expenditures per the schedule of expenditures of federal awards | \$ 44,539,820        |
| Federal and state fixed fee contracts:                          | <u>1,071,150</u>     |
| Government contracts and grants per statement of activities     | <u>\$ 45,610,970</u> |

**NOTE C - INDIRECT COST**

NCMEC has not elected to use the 10% de minimus cost rate allowed under the Uniform Guidance.

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
The National Center for Missing and Exploited Children

We have audited, 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 (*Government Auditing Standards*), the financial statements of The National Center for Missing and Exploited Children (“NCMEC”), which comprise the statement of financial position as of December 31, 2022, 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 April 26, 2023

### **Report on internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered NCMEC’s internal control over financial reporting (“internal control”) as a basis for designing 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 NCMEC’s internal control. Accordingly, we do not express an opinion on the effectiveness of NCMEC’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 NCMEC’s 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 or 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 or significant deficiencies may exist that were not identified.

### **Report on compliance and other matters**

As part of obtaining reasonable assurance about whether NCMEC’s financial statements are free from 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 financial statements. 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 NCEMC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NCEMC's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

Arlington, Virginia  
April 26, 2023

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
The National Center for Missing and Exploited Children

### **Report on compliance for each major federal program**

#### **Opinion on each major federal program**

We have audited the compliance of The National Center for Missing and Exploited Children ("NCMEC") with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on NCMEC's major federal program for the year ended December 31, 2022. NCMEC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, NCMEC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

#### **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 (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 NCMEC 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of NCMEC'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 NCMEC'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 NCMEC'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 US GAAS, *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 NCMEC's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with US GAAS, *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 NCMEC'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 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 NCMEC'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. Given these limitations, during our audit we did not identify any deficiencies in NCMEC's internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been 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.

*Grant Thornton LLP*

Arlington, Virginia  
April 26, 2023



The National Center for Missing and Exploited Children

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2022

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

|   |           |                            |
|---|-----------|----------------------------|
| Material weakness(es) identified?                     | _____ yes | <u>  X  </u> no            |
| Significant deficiency(ies) identified?               | _____ yes | <u>  X  </u> none reported |
| Noncompliance material to financial statements noted? | _____ yes | <u>  X  </u> no            |

**Federal Awards**

Internal control over the major program:

|   |           |                            |
|---|-----------|----------------------------|
| Material weakness(es) identified?       | _____ yes | <u>  X  </u> no            |
| Significant deficiency(ies) identified? | _____ yes | <u>  X  </u> none reported |

Type of auditors' report issued on compliance for the major program: Unmodified

|  |           |                 |
|--|-----------|-----------------|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance? | _____ yes | <u>  X  </u> no |
|--|-----------|-----------------|

**Identification of the major program:**

| Name of Federal Program  | Federal Assistance Listing Number |
|--|-----------------------------------|
| Missing Children's Assistance  | 16.543                            |
| Dollar threshold used to distinguish between type A and type B programs: | \$1,336,196                       |
| Auditee qualified as low-risk auditee?                                   | <u>  X  </u> yes _____ no         |

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported.

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None reported.

The National Center for Missing and Exploited Children

SCHEDULE OF INDIRECT COST POOL, APPLICABLE BASE AND FINAL OVERHEAD RATE CALCULATION

December 31, 2022

|  |               |
|--|---------------|
| Applicable base for direct costs:        |               |
| Salaries                                 | \$ 29,286,118 |
| Benefits                                 | 7,770,662     |
| Professional fees                        | 4,513,785     |
| Rent & utilities                         | 2,493,247     |
| Software & service fees                  | 8,090,330     |
| Travel                                   | 785,659       |
| Equipment & supplies                     | 521,247       |
| Printing, postage & delivery             | 157,891       |
| Meetings, memberships & other            | 313,200       |
|  | <hr/>         |
| Total applicable base for direct costs   | \$ 53,932,139 |
| Exclusions from applicable base:         |               |
| Rent                                     | \$ 2,370,760  |
| Other unallowable costs                  | 122,289       |
| Non-expendable equipment                 | 46,193        |
| In-kind services                         | 7,224,817     |
| Participant travel                       | 37,597        |
|  | <hr/>         |
| Total exclusions from applicable base    | \$ 9,801,656  |
|  | <hr/>         |
| Total applicable base, net of exclusions | \$ 44,130,483 |
| Indirect cost pool:                      |               |
| Salaries                                 | \$ 3,081,956  |
| Benefits                                 | 817,754       |
| Facility costs                           | 522,450       |
| Software & service fees                  | 421,735       |
| Professional fees                        | 299,026       |
| Meetings, postage & other                | 175,054       |
| Supplies & equipment                     | 155,683       |
| Insurance                                | 385,445       |
| Travel                                   | 3,403         |
|  | <hr/>         |
| Total indirect costs                     | \$ 5,862,506  |
|  | <hr/>         |
| Indirect cost rate                       | 13.28%        |
|  | <hr/>         |
| Provisional rate                         | 15.24%        |
|  | <hr/>         |
| Total applicable base for direct costs   | \$ 53,932,139 |
| Total indirect costs                     | 5,862,506     |
|  | <hr/>         |
| Total operating expenses                 | \$ 59,794,645 |
|  | <hr/>         |

The National Center for Missing and Exploited Children

SCHEDULE OF FRINGE COST POOL, APPLICABLE BASE AND FINAL FRINGE RATE CALCULATION

December 31, 2022

|                                       |                      |
|---------------------------------------|----------------------|
| Applicable base for total labor:      |                      |
| Direct salaries                       | \$ 29,286,118        |
| Indirect salaries                     | <u>3,081,956</u>     |
| Total applicable base for total labor | <u>\$ 32,368,074</u> |
| Fringe cost pool:                     |                      |
| Medical & dental insurance            | \$ 3,342,891         |
| Payroll tax expense                   | 2,355,598            |
| Retirement plan costs                 | 2,280,108            |
| Disability, life and other            | 332,728              |
| Unallocated leave benefits            | 171,551              |
| Unemployment & workers comp           | <u>105,539</u>       |
| Total fringe cost pool                | <u>\$ 8,588,415</u>  |
| Fringe actual rate                    | <u>26.53%</u>        |
| Fringe provisional rate               | <u>27.67%</u>        |