

**DARKNESS TO LIGHT, INC.**  
**CHARLESTON, SOUTH CAROLINA**

**AUDITORS' REPORT**  
**AND**  
**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

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## INDEPENDENT AUDITORS' OPINION

To the Board of Directors  
Darkness to Light, Inc.  
Charleston, South Carolina

We have audited the accompanying general purpose financial statements of Darkness to Light, Inc. as of June 30, 2014, and for the year then ended, as listed in the table of contents. The financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Darkness to Light, Inc. at June 30, 2014, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The financial statements and supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of Darkness to Light, Inc. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Johnston, Marion & Co, CPA*

Johnston, Marion & Company  
Certified Public Accountants  
January 12, 2015

### JOHNSTON MARION & COMPANY

American Institute of Certified Public Accountants • South Carolina Association of Certified Public Accountants  
2235 Technical Parkway • Suite A • N. Charleston, South Carolina 29406  
(843) 572-0100 • Fax (843) 569-0152

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2014**

**Exhibit "A"**

**ASSETS**

**Current Assets**

Cash and cash equivalents (Note 1)	\$ 797,073
Accounts receivable (Note 2)	43,447
Other receivable	18,564
Prepaid expenses	3,344
Inventory	78,206
Total current assets	<u>940,634</u>

**Property and Equipment**

(net of accumulated depreciation) (Note 1 & 3)	963,426
<b>TOTAL ASSETS</b>	<u><u>\$ 1,904,060</u></u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 191,475
Current maturities, long-term debt (Note 6)	92,833
Accrued annual leave (Note 1)	27,754
Accrued wages	43,060
Deferred revenue	4,874
Security deposit (Note 7)	1,000
Total current liabilities	<u>360,996</u>
Long-term debt less current maturities (Note 6)	23,208
Total liabilities	<u>384,204</u>

**Net Assets**

Unrestricted:	
Operations	302,391
Fixed assets	828,786
Temporarily restricted	388,679
Total net assets	<u>1,519,856</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,904,060</u></u>

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Exhibit "B"

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>SUPPORT AND REVENUE</u></b>			
Support:			
Contributions	\$ 93,597	\$ 56,723	\$ 150,320
Contributed media (Note 5)	172,314	0	172,314
Grants (Note 4)	11,334	401,208	412,542
Total Support	<u>277,245</u>	<u>457,931</u>	<u>735,176</u>
Revenue:			
Programs	1,791,737	0	1,791,737
Special events	265,503	0	265,503
Investment income	626	0	626
Miscellaneous income	21,688	0	21,688
Total Revenue	<u>2,079,554</u>	<u>0</u>	<u>2,079,554</u>
Net assets released from restrictions:			
Satisfaction of usage restrictions	486,731	(486,731)	0
Total Support and Revenue	<u>2,843,530</u>	<u>(28,800)</u>	<u>2,814,730</u>
<b><u>EXPENSES</u></b>			
Program services	1,950,573	0	1,950,573
General and administrative	124,913	0	124,913
Fund raising	398,425	0	398,425
Total Expenses	<u>2,473,911</u>	<u>0</u>	<u>2,473,911</u>
Change in net assets	369,619	(28,800)	340,819
Net assets, beginning of year	761,558	417,479	1,179,037
Net assets, end of year	<u>\$ 1,131,177</u>	<u>\$ 388,679</u>	<u>\$ 1,519,856</u>

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Exhibit "C"**

	<u>Program Services</u>	<u>Support Services</u>		<u>Total Program and Support Services</u>
		<u>Management and General</u>	<u>Fund- Raising</u>	
Salaries and contract wages	\$ 645,960	\$ 70,213	\$ 271,460	\$ 987,633
Employee benefits and taxes	77,679	11,410	17,224	106,313
Total salaries and related expenses	723,639	81,623	288,684	1,093,946
Cost of materials sold	460,744	0	0	460,744
Media campaign/community awareness	69,706	0	0	69,706
Computer and website expense	18,300	0	7,080	25,380
Donated services and media (Note 5)	172,314	0	0	172,314
Travel, lodging and meals	53,512	119	7,249	60,880
Bank charges	44,632	97	6,687	51,416
Postage	5,401	487	5,849	11,737
Printing	5,559	17	9,993	15,569
Office supplies	14,317	1,102	1,713	17,132
Equipment and equipment rental	12,720	1,717	2,593	17,030
Telephone	13,150	1,350	2,038	16,538
Depreciation	82,493	11,138	16,814	110,445
Insurance	25,275	3,413	5,152	33,840
Professional fees	91,412	10,220	15,427	117,059
Miscellaneous	4,088	495	5,551	10,134
Dues & subscriptions	3,162	92	414	3,668
Rent and parking	76,072	10,271	15,505	101,848
License fees	732	56	274	1,062
Utilities	7,217	974	1,471	9,662
Interest	4,216	569	859	5,644
Maintenance	2,197	297	448	2,942
Special events	53,225	0	3,301	56,526
Board of Directors	6,490	876	1,323	8,689
	<u>\$ 1,950,573</u>	<u>\$ 124,913</u>	<u>\$ 398,425</u>	<u>\$ 2,473,911</u>

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

**Exhibit "D"**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ 340,819
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	\$ 110,445
(Increase) decrease in accounts receivable	(\$24,468)
(Increase) decrease in other receivables	(7,145)
(Increase) decrease in prepaid expense	2,349
(Increase) decrease in inventory	(78,206)
(Decrease) increase in accounts payable	157,893
(Decrease) increase in deferred revenue	(1,316)
(Decrease) increase in accrued annual leave	2,196
(Decrease) increase in accrued wages	<u>(33,683)</u>
Net cash provided (used) by operating activities	<u>468,884</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of fixed assets	<u>(248,121)</u>
Net cash used in investing activities	<u>(248,121)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on long-term debt	<u>(126,137)</u>
Net cash provided by financing activities	<u>(126,137)</u>
Net decrease in cash and cash equivalents	94,626
Cash and cash equivalents - beginning of year	<u>702,447</u>
Cash and cash equivalents - end of year	<u>\$ 797,073</u>

**SUPPLEMENTAL DISCLOSURES**

Interest paid	<u>\$ 5,644</u>
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**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. **General Information**

Headquartered in Charleston, South Carolina, Darkness to Light (D2L) has championed the movement to end child sexual abuse since its founding in 2000. With partners and affiliates in all 50 states and 16 international locations, D2L provides organizations and individuals with the tools to protect children from sexual abuse. To date, nearly 900,000 educators, youth serving professionals, organization volunteers, and community members have been trained in D2L's award-winning Stewards of Children® child sexual abuse prevention program. Visit [www.D2L.org/Stewards](http://www.D2L.org/Stewards) to learn how you can bring Stewards of Children to your community. Darkness to Light, Inc. was incorporated on February 9, 2000, and is located at 7 Radcliffe Street, Suite 200, Charleston, South Carolina.

b. **Income Taxes**

The Corporation is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

c. **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulation. Temporarily restricted net assets – Net assets subject to donor-imposed stipulation that may or will be met, either by actions of the Corporation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

d. **Property and Equipment**

Depreciation of property and equipment is provided over the estimated useful lives of depreciable properties principally on the straight-line method. The lives assigned to the various classes of assets are: Leasehold Improvements – 10 years; Furniture, Fixtures & Equipment – 5 years.

e. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits and overnight investments at First Federal. The Corporation has fluctuating cash balances in South State Bank that are at times in excess of the federal insured limits of \$250,000. The risk concerning these balances is minimal.

**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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Note 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

f. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

g. **Accrued Vacation**

Darkness to Light's policy is to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from service. As of June 30, 2014, the liability for accrued vacation of \$27,754 has been recorded in the current liabilities.

Note 2: **RECEIVABLES**

Accounts receivable – Represents the balance due on items sold and shipped but not paid for until after year-end	\$ 43,447
Net of allowance for doubtful accounts	<u>0</u>
Net accounts receivable	<u>\$ 43,447</u>

The Corporation collected \$43,097 of the above net accounts receivable by October 30, 2014, which is 99.19%.

Note 3: **ASSETS AND DEPRECIATION**

Depreciation and amortization expense is calculated on the straight-line basis over the estimated useful lives of the assets. The cost of such assets at June 30, 2014 is as follows:

Furniture, Fixtures and Equipment	\$ 363,434
Leasehold improvements	23,250
Land	80,000
Stewards 2.0	894,919
Less: Accumulated Depreciation	<u>(398,177)</u>
	<u>\$ 963,426</u>

Stewards 2.0 is the new version of the training program and documentary film designed to teach adults how to prevent, recognize, and react responsibly to child sexual abuse. The project was started in February of 2011 and will be completed in stages from August of 2013 to December of 2014. The core package was completed in August of 2013 and the Spanish version and the Internet version were completed in February of 2014. The Add-On Module will be ready in December of 2014. The costs have been capitalized and will be amortized over eight years once each stage is completed.



**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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Note 4: **GRANTS – RESTRICTED**

Grants require the fulfillment of certain conditions as set forth in the agreement.

a)	<b>Connoly Family Foundation</b> Restricted for scholarships.	\$ 5,000
b)	<b>The Foundation for Dreamers</b> Restricted for Texas educators' training.	190,000
c)	<b>American Legion Child Welfare</b> Restricted for military education materials.	12,124
d)	<b>Lakeside Foundation</b> Restricted for scholarships.	10,000
e)	<b>Alliance for Children</b> Restricted for Texas educators' training.	14,895
f)	<b>Kiawah Seabrook Exchange Club</b> Restricted for local scholarships. Restricted for contract personnel on Johns Island.	10,000 10,000
g)	<b>Oliver Family Foundation</b> Restricted for products and training in Cincinnati, Ohio.	10,000
h)	<b>The Coastal Community Foundation</b> Restricted for scholarships for Allendale County.	5,000
i)	<b>RGK Foundation</b> Restricted for Texas educators' training.	25,000
j)	<b>Ittleson Foundation</b> Restricted for federal strategy.	4,500
k)	<b>Houston Foundation</b> Restricted for Texas educators' training.	30,000
l)	<b>The Exchange Club of Charleston</b> Restricted for Stewards 2.0 production. Restricted for local scholarships. Restricted for child abuse prevention month with DNLCC.	33,970 20,000 1,000
m)	<b>Grace Episcopal Church</b> Restricted for local scholarships.	2,000

**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

Note 4: **GRANTS – RESTRICTED (continued)**

n)	Isle of Palms Walk & Run Restricted for local scholarships.	1,500
o)	Post & Courier Foundation Restricted for local scholarships.	2,500
p)	Wayne Damron Family Charitable Fund Restricted for Scholarships for Georgia Child Advocacy Center.	2,000
q)	The Hand Foundation Restricted for editing survivor stories.	10,719
r)	Kiwanis Club of Charleston Restricted for local scholarships.	1,000
	Total	<u>\$401,208</u>

Note 5: **DONATED SERVICES**

The “donated services” income and expense shown in the financial statement consists of the following:

Charleston Magazine	\$ 53,250
Cornerstone on Demand Foundation	114,064
PVBLIC Foundation	<u>15,000</u>
	<u>\$172,314</u>

Note 6: **PROVISIONS OF LONG-TERM DEBT**

Darkness to Light, Inc. negotiated a term loan with Wachovia Bank to replace the line of credit, payable in monthly payments of \$2,430.42, including interest at 6.00%. As of June 30, 2014, the balance of the loan was \$0.

Darkness to Light, Inc. contracted with Phoenix Possibilities for the production of the new Stewards of Children 2.0 training material. The contract was for \$389,800 and they paid \$111,301.60, and financed the balance at 4% interest for 36 months. As of June 30, 2014 the balance of the loan was \$116,041.

The five-year schedule of note payments due is as follows:

July 1, 2014 – June 30, 2015	92,833
July 1, 2015 – June 30, 2016	<u>23,208</u>
	<u>\$116,041</u>

Darkness to Light, Inc. has a revolving line of credit in place with South State Bank for \$125,000 through June 30, 2015 at an interest rate of prime plus 1%.

**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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Note 7: **LEASES**

Darkness to Light leases office space from King Street Developers, LLC. The lease is for a five year term starting February 1, 2010 through January 31, 2015. The annual lease value is \$87,732 through January 31, 2011 with a 3% increase each year until the end of the five year period. The rented space is approximately 6,000 square feet; the entity sub-leases a portion of the space for \$1,000 per month. There is a new tenant on this sub-lease that started on September 15, 2012 and ends on September 15, 2013 with an option to renew for twelve months. The entity collected a security deposit of \$1,000 on this lease. The entity also rents six parking spaces from King Street Developers, LLC on a month to month basis for \$75 per space per month. They rent five additional spaces from Morris Brown AME Church on a month to month basis for \$500 per month, and two spaces from 459, LLC for \$250 per month. Darkness to Light leases a Ricoh copier from GE Capital for \$415.52 per month for 60 months that began in October of 2012.

Note 8: **SUBSEQUENT EVENT**

Management has evaluated subsequent events through December 31, 2014.

**DARKNESS TO LIGHT, INC.**  
**SCHEDULE OF TEMPORARILY RESTRICTED SUPPORT AND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Psaras Foundation</u>	<u>The Exchange Club of Charleston</u>	<u>Gifts &amp; Grants under \$20,000</u>
<b><u>Support</u></b>			
Contributions	\$ 0	\$ 0	\$ 56,723
Grants (Note 4)	<u>0</u>	<u>21,000</u>	<u>66,343</u>
Total Support	<u>0</u>	<u>21,000</u>	<u>123,066</u>
<b><u>Expenditures</u></b>			
Fund-raising expenses	0	0	0
Program services	12,206	26,514	125,163
Acquisition of fixed assets	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>12,206</u>	<u>26,514</u>	<u>125,163</u>
Excess (Deficiency) of Support Over Expenditures:	(12,206)	(5,514)	(2,097)
Restricted Assets - Beginning	<u>12,206</u>	<u>25,000</u>	<u>66,321</u>
Restricted Assets - Ending	<u>\$ 0</u>	<u>\$ 19,486</u>	<u>\$ 64,224</u>

<u>Texas</u> <u>Educators</u>	<u>Select</u> <u>Health</u>	<u>Kiawah</u> <u>Seabrook</u> <u>Exchange Club</u>	<u>Stewards</u> <u>2.0</u> <u>Production</u>	<u>Total</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 56,723
<u>259,895</u>	<u>0</u>	<u>20,000</u>	<u>33,970</u>	<u>401,208</u>
<u>259,895</u>	<u>0</u>	<u>20,000</u>	<u>33,970</u>	<u>457,931</u>
0	0	0	0	0
147,795	25,000	11,204	26,292	374,174
<u>0</u>	<u>0</u>	<u>0</u>	<u>112,557</u>	<u>112,557</u>
<u>147,795</u>	<u>25,000</u>	<u>11,204</u>	<u>138,849</u>	<u>486,731</u>
112,100	(25,000)	8,796	(104,879)	(28,800)
<u>175,000</u>	<u>25,000</u>	<u>5,354</u>	<u>108,598</u>	<u>417,479</u>
<u>\$ 287,100</u>	<u>\$ 0</u>	<u>\$ 14,150</u>	<u>\$ 3,719</u>	<u>\$ 388,679</u>