

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

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

**JUNE 30, 2015**

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## **INDEPENDENT AUDITORS' OPINION**

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

We have audited the accompanying financial statements of Darkness to Light, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Darkness to Light, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Other Information**

The supplemental schedule on page 11 is presented for the purpose of additional analysis and is not a required part of the financial statements of Darkness to Light, Inc. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Johnston, Marion & Company  
Certified Public Accountants  
November 24, 2015

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**

**Exhibit "A"**

**ASSETS**

**Current Assets**

Cash and cash equivalents (Note 1)	\$ 385,970
Accounts receivable (Note 2)	81,533
Prepaid expenses	17,886
Inventory	1,839
Total current assets	<u>487,228</u>

**Property and Equipment**

(net of accumulated depreciation) (Note 1 & 3)	927,782
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**Other Assets**

Refundable deposits (Note 7)	<u>7,084</u>
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<b>TOTAL ASSETS</b>	<b><u><u>\$ 1,422,094</u></u></b>
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**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 78,091
Current maturities, long-term debt (Note 6)	38,852
Accrued wages	10,650
Accrued annual leave (Note 1)	19,587
Total current liabilities	<u>147,180</u>
Long-term debt less current maturities (Note 6)	<u>21,807</u>
Total liabilities	<u>168,987</u>

**Net Assets**

Unrestricted:	
Operations	224,073
Fixed assets	863,720
Temporarily restricted	165,314
Total net assets	<u>1,253,107</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 1,422,094</u></u></b>
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See accompanying notes and accountants' report

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit "B"

<b><u>SUPPORT AND REVENUE</u></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
<b>Support:</b>			
Contributions	\$ 142,939	\$ 30,449	\$ 173,388
Contributed media and services (Note 5)	105,907	0	105,907
Contributed supplies	560	0	560
Grants (Note 4)	11,270	190,816	202,086
Total Support	260,676	221,265	481,941
<b>Revenue:</b>			
Programs	1,641,080	0	1,641,080
Special events	40,142	0	40,142
Investment income	309	0	309
Miscellaneous income	17,666	0	17,666
Total Revenue	1,699,197	0	1,699,197
<b>Net assets released from restrictions:</b>			
Satisfaction of usage restrictions	444,630	(444,630)	0
Total Support and Revenue	2,404,503	(223,365)	2,181,138
 <b><u>EXPENSES</u></b>			
Program services	1,927,481	0	1,927,481
General and administrative	247,792	0	247,792
Fund raising	272,614	0	272,614
Total Expenses	2,447,887	0	2,447,887
Change in net assets	(43,384)	(223,365)	(266,749)
Net assets, beginning of year	1,131,177	388,679	1,519,856
Net assets, end of year	\$ 1,087,793	\$ 165,314	\$ 1,253,107

See accompanying notes and accountants' report

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**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	\$ 774,564	\$ 132,692	\$ 141,237	\$ 1,048,493
Employee benefits and taxes	<u>68,515</u>	<u>20,215</u>	<u>20,570</u>	<u>109,300</u>
Total salaries and related expenses	843,079	152,907	161,807	1,157,793
Cost of materials sold	403,487	0	0	403,487
Media campaign/community awareness	26,306	0	0	26,306
Computer and website expense	34,629	0	1,099	35,728
Donated services and media (Note 5)	105,907	0	0	105,907
Travel, lodging and meals	44,978	124	214	45,316
Bank charges	36,297	384	4,329	41,010
Postage	3,066	726	3,922	7,714
Printing	2,630	104	4,057	6,791
Office supplies	12,937	1,368	1,391	15,696
Equipment and equipment rental	8,366	2,434	2,476	13,276
Telephone	12,436	2,697	2,744	17,877
Depreciation	91,255	26,549	27,012	144,816
Insurance	20,986	6,106	6,212	33,304
Professional fees	111,229	27,618	28,100	166,947
Legal settlement (Note 9)	20,480	5,958	6,062	32,500
Dues & subscriptions	4,651	133	2,109	6,893
Rent and parking	53,867	15,671	15,945	85,483
License fees	341	9	10	360
Utilities	4,763	1,386	1,410	7,559
Interest	441	128	131	700
Maintenance	1,618	471	479	2,568
Special events	70,007	0	32	70,039
Board of Directors	4,918	1,430	1,456	7,804
Professional development	6,496	917	933	8,346
Employee perks	<u>2,311</u>	<u>672</u>	<u>684</u>	<u>3,667</u>
	<u>\$ 1,927,481</u>	<u>\$ 247,792</u>	<u>\$ 272,614</u>	<u>\$ 2,447,887</u>

See accompanying notes and accountants' report

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Exhibit "D"**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (266,749)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	144,816
(Increase) decrease in accounts receivable	(38,086)
(Increase) decrease in other receivables	18,564
(Increase) decrease in prepaid expense	(14,542)
(Increase) decrease in inventory	76,367
(Increase) decrease in refundable deposit	(7,084)
(Decrease) increase in accounts payable	(113,384)
(Decrease) increase in deferred revenue	(4,874)
(Decrease) increase in accrued annual leave	(8,167)
(Decrease) increase in accrued wages	(32,410)
(Decrease) increase in security deposit	(1,000)
Net cash provided (used) by operating activities	(246,549)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of fixed assets	(109,172)
Net cash used in investing activities	(109,172)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from long-term debt	40,000
Principal payments on long-term debt	(95,382)
Net cash provided by financing activities	(55,382)
Net decrease in cash and cash equivalents	(411,103)
Cash and cash equivalents - beginning of year	797,073
Cash and cash equivalents - end of year	\$ 385,970

**SUPPLEMENTAL DISCLOSURES**

Interest paid	\$ 700
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**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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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, over 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 1064 Gardner Road, Suite 210, 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 – 5 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 South State Bank. 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, 2015**

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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, 2015, the liability for accrued vacation of \$19,587 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	\$ 81,533
Net of allowance for doubtful accounts	<u>0</u>
Net accounts receivable	<u>\$ 81,533</u>

The Corporation collected \$81,417 of the above net accounts receivable by October 15, 2015, which is 99.9%.

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, 2015 is as follows:

Furniture, Fixtures and Equipment	\$ 370,479
Leasehold improvements	56,295
Land	80,000
Stewards 2.0	940,751
Less: Accumulated Depreciation	<u>(519,743)</u>
	<u>\$ 927,782</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 2015. 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 was ready in December of 2014. The CAN modules will be ready in December of 2015. 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, 2015**

**Note 4: GRANTS – RESTRICTED**

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

a)	<b>Harold Simmons Foundation</b> Restricted for Texas educators' training.	\$ 50,000
b)	<b>The Foundation for Dreamers</b> Restricted for Texas educators' training.	20,000
c)	<b>California Community Foundation</b> Restricted for video editing and SOC training.	10,000
d)	<b>Northview Church Missions</b> Restricted for India Project.	15,000
e)	<b>Crossroads</b> Restricted for India Project.	46,816
f)	<b>Kiawah Seabrook Exchange Club</b> Restricted for local scholarships.	4,000
g)	<b>Oliver Family Foundation</b> Restricted for products and training in Cincinnati, Ohio.	10,000
h)	<b>The Exchange Club of Charleston</b> Restricted for Wrap Around training. Restricted for local scholarships.	35,000
	Total	<u>\$ 190,816</u>

**Note 5: DONATED SERVICES**

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

Charleston Magazine	\$ 29,750
Cornerstone on Demand Foundation	58,647
Clear Channel (I Heart Media)	12,420
Edward Ives	3,250
Radiate Technologies	<u>1,840</u>
	<u>\$105,907</u>

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

Darkness to Light, Inc. negotiated a term loan with South State Bank to perform the upfit of the new office space, payable in monthly payments of \$1,399.97, including interest at 3.75%. As of June 30, 2015, the balance of the loan was \$37,450.

**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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Note 6: **PROVISIONS OF LONG-TERM DEBT (continued)**

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, 2015 the balance of the loan was \$23,209.

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

July 1, 2015 – June 30, 2016	\$ 38,852
July 1, 2016 – June 30, 2017	16,251
July 1, 2017 – June 30, 2018	<u>5,556</u>
Total of note payments	60,659
Less current portion of note payments	<u>(38,852)</u>
Long term portion of note payments	<u>\$ 21,807</u>

Darkness to Light, Inc. has a revolving line of credit in place with South State Bank for \$75,000 through April 24, 2016 at an interest rate of prime plus 1%.

Note 7: **LEASES**

Darkness to Light entered into a new lease for office space with Liberty National Associates, LP in January of 2015. The lease is for five years and three months term starting March 1, 2015 through May 31, 2020. The rented space is approximately 4,295 square feet located at 1064 Gardner Road, Suite 210 in Charleston, South Carolina. Darkness to Light paid a security and pet deposit totaling \$7,084 which is refundable after the expiration of the lease.

The annual lease value for each of the five years is as follows:

March 1, 2015 to May 31, 2015	\$ 0
June 1, 2015 to May 31, 2016	\$47,245
June 1, 2016 to May 31, 2017	\$49,392
June 1, 2017 to May 31, 2018	\$73,015
June 1, 2018 to May 31, 2019	\$77,310
June 1, 2019 to May 31, 2020	\$81,605

The landlord contributed \$20,000 to build out the premises to layout and condition and Darkness to Light paid the balance of the leasehold improvements of \$56,295. The leasehold improvements are being depreciated over the five year lease period.

Note 8: **SUBSEQUENT EVENT**

Management has evaluated subsequent events through November 24, 2015.

Note 9: **CONTINGENCIES**

Darkness to Light reached an out of court settlement with the former CEO on May 21, 2015. Legal Counsel is not aware of any other pending or threatened litigation, claims or assessments.

**DARKNESS TO LIGHT, INC.**  
**SCHEDULE OF TEMPORARILY RESTRICTED SUPPORT AND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>India Project</u>	<u>The Exchange Club of Charleston</u>	<u>Gifts &amp; Grants under \$20,000</u>
<b><u>Support</u></b>			
Contributions	\$ 0	\$ 0	\$ 5,449
Grants (Note 4)	<u>61,816</u>	<u>35,000</u>	<u>20,000</u>
Total Support	<u>61,816</u>	<u>35,000</u>	<u>25,449</u>
<b><u>Expenditures</u></b>			
Fund-raising expenses	0	0	0
Program services	47,299	23,822	33,780
Acquisition of fixed assets	<u>0</u>	<u>9,691</u>	<u>0</u>
Total Expenditures	<u>47,299</u>	<u>33,513</u>	<u>33,780</u>
Excess (Deficiency) of Support Over Expenditures:	14,517	1,487	(8,331)
Restricted Assets - Beginning	<u>0</u>	<u>19,486</u>	<u>64,224</u>
Restricted Assets - Ending	<u>\$ 14,517</u>	<u>\$ 20,973</u>	<u>\$ 55,893</u>

<u>Texas Educators</u>	<u>Select Health</u>	<u>Kiawah Seabrook Exchange Club</u>	<u>Stewards 2.0 Production</u>	<u>Total</u>
\$ 0	\$ 25,000	\$ 0	\$ 0	\$ 30,449
<u>70,000</u>	<u>0</u>	<u>4,000</u>	<u>0</u>	<u>190,816</u>
<u>70,000</u>	<u>25,000</u>	<u>4,000</u>	<u>0</u>	<u>221,265</u>
0	0	0	0	0
283,169	25,000	18,150	0	431,220
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,719</u>	<u>13,410</u>
<u>283,169</u>	<u>25,000</u>	<u>18,150</u>	<u>3,719</u>	<u>444,630</u>
(213,169)	0	(14,150)	(3,719)	(223,365)
<u>287,100</u>	<u>0</u>	<u>14,150</u>	<u>3,719</u>	<u>388,679</u>
<u>\$ 73,931</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 165,314</u>