

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

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

**JUNE 30, 2016**

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# JOHNSTON, MARION & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS  
AMERICAN INSTITUTE OF CPAS  
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## INDEPENDENT AUDITORS' OPINION

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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, 2016, 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, 2016, 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.

A handwritten signature in black ink that reads "Johnston, Marion & Co, CPA". The signature is written in a cursive, flowing style.

Johnston, Marion & Company  
Certified Public Accountants  
January 26, 2017

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

**Exhibit "A"**

**ASSETS**

**Current Assets**

Cash and cash equivalents (Note 1)	\$ 755,166
Accounts receivable (Note 2)	30,488
Prepaid expenses	20,052
Total current assets	<u>805,706</u>

**Property and Equipment**

(net of accumulated depreciation) (Note 1 & 3)	821,110
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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>\$ 1,633,900</u></u></b>
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**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 51,739
Current maturities, long-term debt (Note 6)	16,252
Accrued wages	16,148
Accrued annual leave (Note 1)	21,820
Total current liabilities	<u>105,959</u>
Long-term debt less current maturities (Note 6)	<u>5,556</u>
Total liabilities	<u>111,515</u>

**Net Assets**

Unrestricted:	
Operations	593,129
Fixed assets	799,302
Temporarily restricted	129,954
Total net assets	<u>1,522,385</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 1,633,900</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, 2016**

**Exhibit "B"**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>SUPPORT AND REVENUE</u></b>			
Support:			
Contributions	\$ 168,555	\$ 6,046	\$ 174,601
Contributed services (Note 5)	144,141	0	144,141
Grants (Note 4)	56,400	91,046	147,446
Total Support	<u>369,096</u>	<u>97,092</u>	<u>466,188</u>
Revenue:			
Programs	1,768,292	0	1,768,292
Special events	11,865	0	11,865
Investment income	168	0	168
Miscellaneous income	13	0	13
Total Revenue	<u>1,780,338</u>	<u>0</u>	<u>1,780,338</u>
Net assets released from restrictions:			
Satisfaction of usage restrictions	132,452	(132,452)	0
Total Support and Revenue	<u>2,281,886</u>	<u>(35,360)</u>	<u>2,246,526</u>
<b><u>EXPENSES</u></b>			
Program services	1,610,213	0	1,610,213
General and administrative	182,703	0	182,703
Fund raising	184,332	0	184,332
Total Expenses	<u>1,977,248</u>	<u>0</u>	<u>1,977,248</u>
Change in net assets	304,638	(35,360)	269,278
Net assets, beginning of year	1,087,793	165,314	1,253,107
Net assets, end of year	<u>\$ 1,392,431</u>	<u>\$ 129,954</u>	<u>\$ 1,522,385</u>

See accompanying notes and accountants' report

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**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	\$ 699,856	\$ 101,058	\$ 88,925	\$ 889,839
Employee benefits and taxes	77,974	16,062	14,062	108,098
Total salaries and related expenses	777,830	117,120	102,987	997,937
Cost of materials sold	316,308	0	0	316,308
Marketing	2,850	0	1,749	4,599
Software	50,308	0	6,593	56,901
Donated services (Note 5)	114,821	15,635	13,685	144,141
Travel, lodging and meals	31,248	342	5,709	37,299
Bank charges	41,096	213	3,936	45,245
Postage	2,363	481	422	3,266
Printing	3,994	606	2,637	7,237
Office supplies	337	69	60	466
Equipment and equipment rental	9,601	1,957	1,714	13,272
Telephone	23,399	2,234	1,957	27,590
Depreciation	113,152	23,069	20,196	156,417
Insurance	23,576	4,807	4,208	32,591
Professional fees	55,145	8,214	7,659	71,018
Dues & subscriptions	1,255	0	1,345	2,600
Rent	33,936	6,919	6,057	46,912
License fees	36	8	6	50
Advertising	3,404	0	0	3,404
Interest	1,455	296	260	2,011
Special events	67	0	2,510	2,577
Board meetings	3,597	733	642	4,972
Professional development	435	0	0	435
	<u>\$ 1,610,213</u>	<u>\$ 182,703</u>	<u>\$ 184,332</u>	<u>\$ 1,977,248</u>

See accompanying notes and accountants' report

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Exhibit "D"**

**CASH FLOW FROM OPERATING ACTIVITIES:**

Cash received from donors - unrestricted	\$ 224,955
Cash received from donors - temporarily restricted	97,092
Cash received from service recipients	1,819,237
Cash received from special events	11,865
Miscellaneous cash received	13
Cash paid to employees and benefits	(756,250)
Cash paid for supplies and services	(939,288)
Interest received	168
Net cash provided by operating activities	<u>457,792</u>

**CASH FLOW FROM INVESTING ACTIVITIES:**

Fixed asset purchases	<u>(49,745)</u>
Net cash used for investing activities	<u>(49,745)</u>

**CASH FLOW FROM FINANCING ACTIVITIES:**

Payments on long-term debt	<u>(38,851)</u>
Net cash used for financing activities	<u>(38,851)</u>

Net increase in cash and cash equivalents	369,196
Cash and cash equivalents - beginning of year	<u>385,970</u>
Cash and cash equivalents - end of year	<u><u>\$ 755,166</u></u>

Reconciliation of net assets to net cash provided by operating activities:	
Change in net assets	<u>\$ 269,278</u>

Adjustments not affecting cash:	
Depreciation expense	156,417

Changes in assets and liabilities:	
Decrease in accounts receivable	51,045
Increase in prepaid expenses	(2,166)
Decrease in inventory	1,839
Increase in accrued wages	5,498
Increase in accrued annual leave	2,233
Decrease in accounts payable	(26,352)
Total adjustments	<u>188,514</u>
Net cash provided by operating activities	<u><u>\$ 457,792</u></u>

See accompanying notes and accountants' report



**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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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 17 international locations, D2L provides organizations and individuals with the tools to protect children from sexual abuse. To date, over 1.2 million 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 had fluctuating cash balances in South State Bank that were always in excess of the federal insured limits of \$250,000. The Corporation opened two new bank accounts subsequent to the year end to minimize this risk.



**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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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, 2016, the liability for accrued vacation of \$21,820 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	\$ 30,488
Net of allowance for doubtful accounts	<u>0</u>
Net accounts receivable	<u>\$ 30,488</u>

The Corporation collected \$30,408 of the above net accounts receivable by August 31, 2016, which is 99.73%.

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, 2016 is as follows:

Furniture, Fixtures and Equipment	\$ 388,071
Leasehold improvements	56,295
Land	80,000
Stewards 2.0	972,904
Less: Accumulated Depreciation	<u>(676,160)</u>
	<u>\$ 821,110</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 was 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 module was 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, 2016**

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**Note 4: GRANTS – RESTRICTED**

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

a)	<b>The Foundation for Dreamers</b>	\$ 10,000
	Restricted for evaluation of the Texas initiative.	
b)	<b>Community Foundation of Southern California</b>	25,000
	Restricted for national scholarships for educators.	
c)	<b>Crossroads</b>	37,546
	Restricted for India Project.	
d)	<b>Oliver Family Foundation</b>	10,000
	Restricted for products and training in Cincinnati, Ohio.	
e)	<b>The Exchange Club of Charleston</b>	8,500
	Restricted for local scholarships.	
	Total	<u>\$ 91,046</u>

**Note 5: DONATED SERVICES**

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

Russell Reynolds for CEO search	\$ 106,000
Cornerstone on Demand Foundation	24,266
Edward Ives	<u>13,875</u>
	<u>\$ 144,141</u>

Darkness to Light, Inc. benefitted from the donated services of one of the board members who served as interim CEO while the search was conducted for a permanent CEO. These services do not meet the requirements for recognition on the financial statements.

**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, 2016, the balance of the loan was \$21,808.

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, 2016 the balance of the loan was \$0.



**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

July 1, 2016 – June 30, 2017	\$ 16,252
July 1, 2017 – June 30, 2018	<u>5,556</u>
Total of note payments	21,808
Less current portion of note payments	<u>(16,252)</u>
Long term portion of note payments	<u>\$ 5,556</u>

Darkness to Light, Inc. has a revolving line of credit in place with South State Bank for \$75,000 through April 4, 2017 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:

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 January 10, 2017. As mentioned in Note 1, management opened two new bank accounts to minimize the risk of having all funds in one bank account in excess of the federally insured limit of \$250,000. This was done subsequent to the year end of June 30, 2016.



**DARKNESS TO LIGHT, INC.**  
**SCHEDULE OF TEMPORARILY RESTRICTED SUPPORT AND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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	<u>India Project</u>	<u>The Exchange Club of Charleston</u>
<b><u>Support</u></b>		
Contributions	\$ 0	\$ 0
Grants (Note 4)	<u>37,546</u>	<u>0</u>
Total Support	<u>37,546</u>	<u>0</u>
<b><u>Expenditures</u></b>		
Fund-raising expenses	0	0
Program services	42,108	13,252
Acquisition of fixed assets	<u>0</u>	<u>0</u>
Total Expenditures	<u>42,108</u>	<u>13,252</u>
Excess (Deficiency) of Support Over Expenditures:	(4,562)	(13,252)
Restricted Assets - Beginning	<u>14,517</u>	<u>20,973</u>
Restricted Assets - Ending	<u>\$ 9,955</u>	<u>\$ 7,721</u>

**Schedule 1**

<b><u>Gifts &amp; Grants under \$20,000</u></b>	<b><u>Texas Educators</u></b>	<b><u>Community Foundation of Southern California</u></b>	<b><u>Total</u></b>
\$ 6,046	\$ 0	\$ 0	\$ 6,046
<u>18,500</u>	<u>10,000</u>	<u>25,000</u>	<u>91,046</u>
<u>24,546</u>	<u>10,000</u>	<u>25,000</u>	<u>97,092</u>
0	0	0	0
18,225	36,825	22,042	132,452
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>18,225</u>	<u>36,825</u>	<u>22,042</u>	<u>132,452</u>
6,321	(26,825)	2,958	(35,360)
<u>55,893</u>	<u>73,931</u>	<u>0</u>	<u>165,314</u>
<u>\$ 62,214</u>	<u>\$ 47,106</u>	<u>\$ 2,958</u>	<u>\$ 129,954</u>