

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

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

**JUNE 30, 2017**

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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, 2017, 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.

### **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

## 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, 2017, 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  
November 21, 2017

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2017**

**Exhibit "A"**

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**ASSETS**

**Current Assets**

Cash and cash equivalents (Note 1)	\$ 1,041,194
Accounts receivable (Note 2)	28,859
Prepaid expenses	32,153
Inventory - Par Level	42,881
Total current assets	<u>1,145,087</u>

**Property and Equipment**

(net of accumulated depreciation) (Note 1 & 3)	771,355
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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>\$ 1,923,526</u></u></b>
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**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 129,553
Payroll taxes payable	8,619
Current maturities, long-term debt (Note 6)	5,557
Accrued wages	27,587
Accrued annual leave (Note 1)	12,600
Deferred revenue	6,450
Total current liabilities	<u>190,366</u>
Long-term debt less current maturities (Note 6)	<u>0</u>
Total liabilities	<u>190,366</u>

**Net Assets**

Unrestricted:	
Operations	853,419
Fixed assets	765,798
Temporarily restricted	113,943
Total net assets	<u>1,733,160</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 1,923,526</u></u></b>
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**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit "B"**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Total</b></u>
<b><u>SUPPORT AND REVENUE</u></b>			
Support:			
Contributions	\$ 215,764	\$ 3,725	\$ 219,489
Contributed services (Note 5)	18,000	0	18,000
Grants (Note 4)	45,782	95,788	141,570
Total Support	<u>279,546</u>	<u>99,513</u>	<u>379,059</u>
Revenue:			
Programs	1,632,784	0	1,632,784
Special events	53,794	0	53,794
Investment income	317	0	317
Miscellaneous income	678	0	678
Total Revenue	<u>1,687,573</u>	<u>0</u>	<u>1,687,573</u>
Net assets released from restrictions:			
Satisfaction of usage restrictions	115,524	(115,524)	0
Total Support and Revenue	<u>2,082,643</u>	<u>(16,011)</u>	<u>2,066,632</u>
<b><u>EXPENSES</u></b>			
Program services	1,500,068	0	1,500,068
General and administrative	145,621	0	145,621
Fund raising	210,168	0	210,168
Total Expenses	<u>1,855,857</u>	<u>0</u>	<u>1,855,857</u>
Change in net assets	226,786	(16,011)	210,775
Net assets, beginning of year	1,392,431	129,954	1,522,385
Net assets, end of year	<u>\$ 1,619,217</u>	<u>\$ 113,943</u>	<u>\$ 1,733,160</u>

See accompanying notes and accountants' report

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**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	\$ 663,265	\$ 93,427	\$ 124,133	\$ 880,825
Employee benefits and taxes	83,824	14,416	19,154	117,394
Total salaries and related expenses	747,089	107,843	143,287	998,219
Cost of materials sold	312,729	0	0	312,729
Marketing	14,173	0	3,314	17,487
Software	56,292	0	1,830	58,122
Donated services (Note 5)	18,000	0	0	18,000
Travel, lodging and meals	31,819	1,483	2,468	35,770
Bank charges	40,453	181	3,212	43,846
Postage	2,241	385	512	3,138
Printing	2,775	4	1,436	4,215
Office supplies	864	149	200	1,213
Equipment and equipment rental	8,972	1,543	2,050	12,565
Telephone	23,478	1,330	1,767	26,575
Depreciation	101,519	17,460	23,197	142,176
Insurance	21,874	3,762	4,998	30,634
Professional fees	64,459	4,372	6,202	75,033
Dues & subscriptions	2,104	1	6,043	8,148
Rent	36,674	6,307	8,380	51,361
License fees	37	6	9	52
Advertising	3,482	0	80	3,562
Interest	392	67	90	549
Special events	3,717	0	47	3,764
Board meetings	3,856	663	881	5,400
Professional development	2,693	0	79	2,772
Repairs and maintenance	376	65	86	527
	<u>\$ 1,500,068</u>	<u>\$ 145,621</u>	<u>\$ 210,168</u>	<u>\$ 1,855,857</u>

See accompanying notes and accountants' report

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Exhibit "D"**

**CASH FLOW FROM OPERATING ACTIVITIES:**

Cash received from donors - unrestricted	\$ 261,546
Cash received from donors - temporarily restricted	99,513
Cash received from service recipients	1,634,413
Cash received from special events	60,244
Miscellaneous cash received	678
Cash paid to employees and benefits	(826,294)
Cash paid for supplies and services	(835,717)
Interest received	317
Net cash provided by operating activities	<u>394,700</u>

**CASH FLOW FROM INVESTING ACTIVITIES:**

Fixed asset purchases	(92,421)
Net cash used for investing activities	<u>(92,421)</u>

**CASH FLOW FROM FINANCING ACTIVITIES:**

Payments on long-term debt	(16,251)
Net cash used for financing activities	<u>(16,251)</u>

Net increase in cash and cash equivalents	286,028
Cash and cash equivalents - beginning of year	<u>755,166</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,041,194</u></u>

Reconciliation of net assets to net cash provided by operating activities:

Change in net assets	<u>\$ 210,775</u>
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Adjustments not affecting cash:

Depreciation expense	142,176
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Changes in assets and liabilities:

Decrease in accounts receivable	1,629
Increase in prepaid expenses	(12,101)
Increase in inventory	(42,881)
Increase in accrued wages	11,439
Decrease in accrued annual leave	(9,220)
Increase in accounts payable	77,814
Increase in payroll taxes payable	8,619
Increase in deferred revenue	6,450

Total adjustments	<u>183,925</u>
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Net cash provided by operating activities	<u><u>\$ 394,700</u></u>
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**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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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 1.4 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 in excess of the federal insured limits of \$250,000. The Corporation opened three new bank accounts during the year to minimize this risk with BB&T and BBVA Compass.



**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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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, 2017, the liability for accrued vacation of \$12,600 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	\$ 28,859
Net of allowance for doubtful accounts	<u>0</u>
Net accounts receivable	<u>\$ 28,859</u>

The Corporation collected \$28,784 of the above net accounts receivable by November 17, 2017, which is 99.74%. Due to the high rate of collections, there is no allowance for doubtful accounts calculated.

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, 2017 is as follows:

Furniture, Fixtures and Equipment	\$ 270,062
Leasehold improvements	56,295
Land	80,000
Stewards 2.0	972,904
Less: Accumulated Depreciation	<u>(607,906)</u>
	<u>\$ 771,355</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, 2017**

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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>Ford Family Foundation</b>	23,600
	Restricted for conversion of online CAN module to both online and facilitator led version	
c)	<b>Crossroads</b>	35,000
	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>	15,000
	Restricted for PSA production and billboard	
f)	<b>The Exchange Club of Daniel Island</b>	2,188
	Restricted for training Daniel Island and Cainhoy educators	
	Total	<u>\$ 95,788</u>

**Note 5: DONATED SERVICES**

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

Edward Ives – External Communications	\$ 18,000
	<u>\$ 18,000</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, 2017, the balance of the loan was \$5,557.

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

July 1, 2017 – June 30, 2018	\$ 5,557
Total of note payments	5,557
Less current portion of note payments	<u>(5,557)</u>
Long term portion of note payments	<u>\$ 0</u>



**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

Darkness to Light, Inc. has a revolving line of credit in place with South State Bank for \$75,000 through April 4, 2018 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 November 21, 2017 and there is nothing material to disclose.

Note 9: **METHODS USED FOR ALLOCATION OF EXPENSES FROM GENERAL AND ADMINISTRATIVE ACTIVITIES**

The financial statements report certain categories of expenses that are attributable to the programs and to the supporting functions of fundraising and general management of the entity in Exhibit C. Those expenses that are common to all three functions include rent, depreciation, telephone, office machine lease, facilities and liability insurance, office supplies and postage, interest, technology costs and salaries.

Salaries are allocated based on time spent by management employees in different functions. The amount of time in each of the functions is based on a detailed time study conducted during the year.

The total salaries that are allocated among the three functions and those that are only allocated to one function such as programs are then tabulated to arrive at the percentages of all staff in the three functions. The allocation percentages from all salaries are then applied to the common expenses listed in the paragraph above. Those common expenses that are allocated are combined with those that are only charged to one of the functions, such as programs and fundraising.



**DARKNESS TO LIGHT, INC.****SCHEDULE OF TEMPORARILY RESTRICTED SUPPORT AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2017**

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	<u>India Project</u>	<u>The Exchange Club of Charleston</u>	<u>Oliver Family Foundation</u>
<b><u>Support</u></b>			
Contributions	\$ 0	\$ 0	\$ 0
Grants (Note 4)	<u>35,000</u>	<u>15,000</u>	<u>10,000</u>
Total Support	<u>35,000</u>	<u>15,000</u>	<u>10,000</u>
<b><u>Expenditures</u></b>			
Fund-raising expenses	0	0	0
Program services	9,347	9,271	13,218
Acquisition of fixed assets	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>9,347</u>	<u>9,271</u>	<u>13,218</u>
Excess (Deficiency) of Support Over Expenditures:	25,653	5,729	(3,218)
Restricted Assets - Beginning	<u>9,955</u>	<u>7,721</u>	<u>19,436</u>
Restricted Assets - Ending	<u>\$ 35,608</u>	<u>\$ 13,450</u>	<u>\$ 16,218</u>

**Schedule 1**

<u>Ford Family Foundation</u>	<u>Gifts &amp; Grants under \$10,000</u>	<u>Texas Educators</u>	<u>Community Foundation of Southern California</u>	<u>Total</u>
\$ 0	\$ 3,725	\$ 0	\$ 0	\$ 3,725
<u>23,600</u>	<u>2,188</u>	<u>10,000</u>	<u>0</u>	<u>95,788</u>
<u>23,600</u>	<u>5,913</u>	<u>10,000</u>	<u>0</u>	<u>99,513</u>
0	0	0	0	0
0	29,637	51,093	2,958	115,524
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>29,637</u>	<u>51,093</u>	<u>2,958</u>	<u>115,524</u>
23,600	(23,724)	(41,093)	(2,958)	(16,011)
<u>0</u>	<u>42,778</u>	<u>47,106</u>	<u>2,958</u>	<u>129,954</u>
<u>\$ 23,600</u>	<u>\$ 19,054</u>	<u>\$ 6,013</u>	<u>\$ 0</u>	<u>\$ 113,943</u>