

DARKNESS TO LIGHT, INC.
CHARLESTON, SOUTH CAROLINA

AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2019

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JOHNSTON, MARION & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
2235 TECHNICAL PARKWAY - SUITE A
N. CHARLESTON, SOUTH CAROLINA 29406

G. MICHAEL JOHNSTON, CPA
MARJORIE H. MARION, CPA

MEMBERS
AMERICAN INSTITUTE OF CPA'S
S.C. ASSOCIATION OF CPA'S

TELEPHONE (843) 572-0100
FAX (843) 569-0152

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, 2019, 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, 2019, 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
March 23, 2020

DARKNESS TO LIGHT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

Exhibit "A"

ASSETS

Current Assets

Cash and cash equivalents (Note 1)	\$ 1,552,860
Accounts receivable, net (Note 2)	158,604
Prepaid expenses	<u>50,358</u>
Total current assets	1,761,822

Property and Equipment

(net of accumulated depreciation) (Note 1 & 3)	831,474
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Other Assets

Refundable deposits (Note 7)	<u>7,084</u>
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TOTAL ASSETS \$ 2,600,380

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 128,622
Accrued wages (Note 1)	50,720
Accrued annual leave (Note 1)	23,809
Deferred revenue	<u>82,650</u>
Total liabilities	<u>285,801</u>

Net Assets

Without Donor Restriction:	
Operations	1,089,765
Fixed assets	831,474
With Donor Restrictions	<u>393,340</u>
Total net assets	<u>2,314,579</u>

TOTAL LIABILITIES AND NET ASSETS \$ 2,600,380

DARKNESS TO LIGHT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit "B"

<u>SUPPORT AND REVENUE</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support:			
Contributions	\$ 2,213,765	\$ 61,403	\$ 2,275,168
Contributed services (Note 5)	21,135	0	21,135
Grants	26,750	391,250	418,000
Total Support	2,261,650	452,653	2,714,303
Revenue:			
Consultation services	48,789	0	48,789
Special events	51,917	0	51,917
Investment income	13,942	0	13,942
Miscellaneous income	1,000	0	1,000
Total Revenue	115,648	0	115,648
Net assets released from restrictions:			
Satisfaction of usage restrictions	196,565	(196,565)	0
Total Support and Revenue	2,573,863	256,088	2,829,951
 <u>EXPENSES</u>			
Program services	2,208,269	0	2,208,269
General and administrative	117,765	0	117,765
Fund raising	302,799	0	302,799
Total Expenses	2,628,833	0	2,628,833
Change in net assets	(54,970)	256,088	201,118
Increase in FMV of Treasury Bills	82	0	82
Net assets, beginning of year	1,976,127	137,252	2,113,379
Net assets, end of year	\$ 1,921,239	\$ 393,340	\$ 2,314,579

DARKNESS TO LIGHT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 704,036	\$ 69,336	\$ 146,719	\$ 920,091
Employee benefits and taxes	97,571	15,075	24,491	137,137
Total salaries and related expenses	801,607	84,411	171,210	1,057,228
Bad debt expense	1,167	0	0	1,167
SOC Processing	96,507	0	0	96,507
SOC Production	202,030	0	0	202,030
SOC Shipping	53,399	0	0	53,399
Marketing	3,801	21	1,649	5,471
Software	129,276	603	4,194	134,073
Travel, lodging and meals	127,453	1,025	11,883	140,361
Bank charges	44,084	775	5,422	50,281
Postage	5,812	1,112	521	7,445
Printing	16,503	286	3,968	20,757
Office supplies	8,180	967	3,875	13,022
Equipment and equipment rental	20,879	2,228	4,608	27,715
Telephone	27,825	1,349	2,556	31,730
Depreciation	142,446	1,603	4,273	148,322
Insurance	22,313	3,385	5,940	31,638
Professional fees	376,857	13,855	28,508	419,220
Dues & subscriptions	6,457	0	100	6,557
Rent	62,874	5,506	11,940	80,320
License fees	0	194	0	194
Advertising	36,544	0	2,252	38,796
Special events	11,167	0	38,307	49,474
Board meetings	4,539	254	561	5,354
Professional development	6,549	191	1,032	7,772
	<u>\$ 2,208,269</u>	<u>\$ 117,765</u>	<u>\$ 302,799</u>	<u>\$ 2,628,833</u>

See accompanying notes and accountants' report

DARKNESS TO LIGHT, INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit "D"

CASH FLOW FROM OPERATING ACTIVITIES:

Cash received from donors - unrestricted	\$ 2,231,455
Cash received from donors - temporarily restricted	452,653
Cash received for consulting services	48,789
Cash received from special events	46,417
Cash received from credit card rebates	1,000
Cash paid to employees and benefits	(927,503)
Cash paid for supplies and services	(1,534,264)
Interest received	13,942
Net cash provided by operating activities	332,489

CASH FLOW FROM INVESTING ACTIVITIES:

Increase in fair Market Value of Treasury Bills	82
Fixed asset purchases	(361,397)
Net cash used for investing activities	(361,315)

Net increase in cash and cash equivalents (28,826)

Cash and cash equivalents - beginning of year 1,581,686

Cash and cash equivalents - end of year \$ 1,552,860

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

Change in net assets \$ 201,118

Adjustments not affecting cash:

Depreciation expense 148,322

Changes in assets and liabilities:

Increase in accounts receivable (84,060)

Decrease in prepaid expenses 18,980

Decrease in refundable deposits 1,475

Increase in accrued wages 5,041

Increase in accrued annual leave 1,781

Decrease in accounts payable (29,668)

Increase in deferred revenue 69,500

Total adjustments 131,371

Net cash provided by operating activities \$ 332,489

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 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:

Without Donor Restrictions net assets – Net assets that are not subject to donor-imposed stipulation. With Donor Restrictions 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; Software – 5 years. Stewards 2.0 is amortized on the straight-line method – 8 years.

e. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, demand deposits and overnight investments at various banks as well as a brokerage account with a sweep bank account feature for un-invested cash held in the account. It also includes investments in short-term U.S. Treasury securities with an original term to maturity at acquisition of 90 days or less. Each of the bank accounts is FDIC insured. Bank balances are maintained below the \$250,000 maximum coverage per bank. The brokerage account is insured by the SIPC for

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

up to \$250,000 in un-invested cash and up to \$500,00 overall, as well as private insurance carried by the brokerage firm, through various London based private insurers for any cash that is not swept into bank accounts. It is the policy of Darkness to Light to have all available cash covered by either FDIC insurance or invested in short-term U.S. Treasury securities. The only exception to this policy is when there is a period of time between U.S. Treasury security maturities and reinvestment, in which case the cash is covered by the brokerage firm insurance discussed above. The Corporation occasionally had bank account balances in excess of the FDIC limit for brief periods while in the process of moving funds and reinvesting.

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, Annual Leave, and Wages.**

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, 2019, the liability for accrued vacation of \$23,809 has been recorded in the current liabilities. Darkness to Light accrues bonus awards that have not been paid as of year-end. As of June 30, 2019, the amount accrued and unpaid bonuses is \$50,720.

h. **Accounting For Deferred Contribution Revenue**

Darkness to Light has adopted FASB ASC 958-605, regarding the accounting contributions, in the fiscal year ended June 30 2018. One of the provisions of the ASC addresses when contribution income should be deferred due to the conditions present in the agreement related to the contribution. Darkness to Light defers the recognition of contribution income when it is determined that the conditions articulated in the ASC are present and will recognize the income as the conditions are satisfied.

Note 2: **RECEIVABLES**

Accounts receivable – Represents the balance due related to the provision of Stewards of Children training for which the related contribution was received after year-end	\$ 152,947
- Reimbursable - Contract service	7,074
- Net of allowance for doubtful accounts	<u>(1,417)</u>
Net accounts receivable	<u>\$ 158,604</u>

The Corporation collected all of the above net accounts receivable by February of 2020, except for the \$1,417 that is set up as allowance for doubtful accounts.

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 3: **ASSETS AND DEPRECIATION**

Depreciation and amortization expense are calculated on the straight-line basis over the estimated useful lives of the assets. The cost of such assets at June 30, 2019 is as follows:

Furniture and Equipment	\$ 174,409
Leasehold improvements	56,295
Less: Accumulated Depreciation	<u>(214,462)</u>
Net Furniture, Fixtures and Equipment	<u>16,242</u>
Stewards 2.0	972,904
Software and Website Development	346,465
Stewards 2.0 India Project In Process	178,216
Less: Accumulated Amortization	<u>(682,353)</u>
Net Intangibles	<u>815,232</u>
Net Fixed Assets	<u>\$ 831,474</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.

Stewards 2.0 India was in the exploratory phase up until the beginning of the fiscal year ended June 30, 2019. At the beginning of the year, the decision was reached to create Stewards 2.0 India. Accordingly, expenditures related to that project have been capitalized as a project in process. It is anticipated that the project will be completed and placed in service in the year ended June 30, 2021 or 2022.

Note 4: **LIQUIDITY AND AVAILABILITY**

Darkness to Light regularly monitors the availability of resources to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, Darkness to Light considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities to be general expenditures.

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Darkness to Lights' policy is to maintain cash and cash equivalents equal to six months of general expenditures. This includes both unrestricted and restricted cash and cash equivalent balances. All restricted assets relate to cash contributions. Restrictions are short-term and are generally released to unrestricted within the following twelve months. To the extent restrictions last more than twelve months the variable component of the related program expense would not be incurred during that period. Unrestricted cash is available for all general expenditures during the following twelve-month period and beyond. Typically, additional unrestricted cash contributions would be received for new program commitments thereby providing the liquidity for such new commitments. The organization also maintains a line of credit in the amount of \$75,000 that can be used in the event additional cash is needed.

As of June 30, 2019, the following tables show the total financial assets held by Darkness to Light and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Note 4: **LIQUIDITY AND AVAILABILITY (continued)**

Financial assets at Year-end:	
Cash and cash equivalents	\$ 1,552,860
Contributions receivable, net	<u>158,604</u>
Total financial assets at year-end	<u>\$ 1,711,464</u>
Financial assets available to meet general expenditures over the next twelve months:	
Cash and equivalents	\$ 1,552,860
Contributions receivable, net	158,604
Less restricted assets	(393,340)
Anticipated satisfaction of usage restrictions on restricted assets	<u>137,055</u>
Total financial assets available to meet general expenditures	<u>\$ 1,455,179</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
Ignite 2018 Materials from Ricoh	<u>3,135</u>
	<u>\$ 21,135</u>

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

Darkness to Light, Inc. has a revolving line of credit in place with South State Bank for \$75,000 through August 27, 2020 at an interest rate of 300 bps over the 30-day LIBOR.

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 to May 31, 2020	\$81,605
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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 March 23, 2020. Management and the Board of Directors are closely monitoring the events regarding the coronavirus pandemic and taking action to minimize the impact on Darkness to Light. The impact of these events cannot be estimated at this time.

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 twice during the year. The square footage of office space used by staff was also factored in for the expenses related to space and occupancy.

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, 2019

	<u>India Project</u>	<u>The Exchange Club of Charleston</u>	<u>Oliver Family Foundation</u>	<u>Flip the Switch</u>
<u>Support</u>				
Contributions	\$ 5,000	\$ 0	\$ 0	\$ 52,903
Grants (Note 4)	<u>35,634</u>	<u>0</u>	<u>0</u>	<u>41,615</u>
Total Support	<u>40,634</u>	<u>0</u>	<u>0</u>	<u>94,518</u>
<u>Expenditures</u>				
Fund-raising expenses	0	599	0	21
Program services	0	2,125	9,030	93,159
General & Administrative expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>199</u>
Total Expenditures	<u>0</u>	<u>2,724</u>	<u>9,030</u>	<u>93,379</u>
Excess (Deficiency) of Support Over Expenditures:	40,634	(2,724)	(9,030)	1,139
Transfer to other funds	0	(11,189)	0	0
Restricted Assets - Beginning	<u>78,597</u>	<u>13,913</u>	<u>10,605</u>	<u>0</u>
Restricted Assets - Ending	<u><u>\$ 119,231</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,575</u></u>	<u><u>\$ 1,139</u></u>

<u>Silicon Valley Community Foundatioin</u>	<u>Oak Foundation</u>	<u>Gifts & Grants under \$20,000</u>	<u>Texas Educators</u>	<u>Medical Society of SC</u>	<u>Total</u>
\$ 0	\$ 0	\$ 3,500	\$ 0	\$ 0	\$ 61,403
<u>60,000</u>	<u>191,116</u>	<u>37,885</u>	<u>0</u>	<u>25,000</u>	<u>391,250</u>
<u>60,000</u>	<u>191,116</u>	<u>41,385</u>	<u>0</u>	<u>25,000</u>	<u>452,653</u>
0	4,920	283	0	0	5,823
0	61,870	18,739	1,271	2,162	188,356
<u>0</u>	<u>2,187</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,386</u>
<u>0</u>	<u>68,977</u>	<u>19,022</u>	<u>1,271</u>	<u>2,162</u>	<u>196,565</u>
60,000	122,139	22,363	(1,271)	22,838	256,088
0	0	11,189	0	0	
<u>0</u>	<u>0</u>	<u>26,788</u>	<u>1,271</u>	<u>6,078</u>	<u>137,252</u>
<u>\$ 60,000</u>	<u>\$ 122,139</u>	<u>\$ 60,340</u>	<u>\$ 0</u>	<u>\$ 28,916</u>	<u>\$ 393,340</u>