

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

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

**JUNE 30, 2018**

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**JOHNSTON, MARION & COMPANY**

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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, 2018, 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, 2018, 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  
December 5, 2018

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

**Exhibit "A"**

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<b><u>ASSETS</u></b>	
<b><u>Current Assets</u></b>	
Cash and cash equivalents (Note 1)	\$ 1,581,686
Accounts receivable (Note 2)	74,544
Prepaid expenses	<u>69,338</u>
Total current assets	1,725,568
<b><u>Property and Equipment</u></b>	
(net of accumulated depreciation) (Note 1 & 3)	618,399
<b><u>Other Assets</u></b>	
Refundable deposits (Note 7)	<u>8,559</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 2,352,526</u></u></b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>	
<b><u>Liabilities</u></b>	
Accounts payable	\$ 158,290
Accrued wages	45,679
Accrued annual leave (Note 1)	22,028
Deferred revenue	<u>13,150</u>
Total liabilities	<u>239,147</u>
<b><u>Net Assets</u></b>	
Unrestricted:	
Operations	1,357,728
Fixed assets	618,399
Temporarily restricted	<u>137,252</u>
Total net assets	<u>2,113,379</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 2,352,526</u></u></b>

See accompanying notes and accountants' report

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Exhibit "B"**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b><u>SUPPORT AND REVENUE</u></b>			
Support:			
Contributions	\$ 2,195,477	\$ 19,163	\$ 2,214,640
Contributed services (Note 5)	18,000	0	18,000
Grants (Note 4)	51,992	110,000	161,992
Total Support	<u>2,265,469</u>	<u>129,163</u>	<u>2,394,632</u>
Revenue:			
Special events	72,815	0	72,815
Investment income	3,989	0	3,989
Gain on sale of assets	9,038	0	9,038
Miscellaneous income	3,500	0	3,500
Total Revenue	<u>89,342</u>	<u>0</u>	<u>89,342</u>
Net assets released from restrictions:			
Satisfaction of usage restrictions	105,854	(105,854)	0
Total Support and Revenue	<u>2,460,665</u>	<u>23,309</u>	<u>2,483,974</u>
<b><u>EXPENSES</u></b>			
Program services	1,691,743	0	1,691,743
General and administrative	110,068	0	110,068
Fund raising	301,944	0	301,944
Total Expenses	<u>2,103,755</u>	<u>0</u>	<u>2,103,755</u>
Change in net assets	356,910	23,309	380,219
Net assets, beginning of year	<u>1,619,217</u>	<u>113,943</u>	<u>1,733,160</u>
Net assets, end of year	<u>\$ 1,976,127</u>	<u>\$ 137,252</u>	<u>\$ 2,113,379</u>

See accompanying notes and accountants' report

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**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	\$ 671,702	\$ 73,091	\$ 153,451	\$ 898,244
Employee benefits and taxes	82,091	10,233	21,376	113,700
Total salaries and related expenses	753,793	83,324	174,827	1,011,944
Bad debt expense	250	0	0	250
SOC Processing	114,490	0	0	114,490
SOC Production	182,827	0	0	182,827
SOC Shipping	39,912	0	0	39,912
Marketing	7,862	0	788	8,650
Software	70,532	0	1,822	72,354
Travel, lodging and meals	79,703	1,669	7,841	89,213
Bank charges	38,161	1,222	3,831	43,214
Postage	2,836	285	596	3,717
Printing	6,806	95	2,880	9,781
Office supplies	1,209	145	379	1,733
Equipment and equipment rental	7,111	2,788	1,965	11,864
Telephone	21,707	1,042	2,280	25,029
Depreciation	120,484	0	20,104	140,588
Insurance	21,570	3,310	5,760	30,640
Professional fees	141,763	6,705	24,739	173,207
Dues & subscriptions	972	0	2,536	3,508
Rent	52,728	8,089	14,081	74,898
License fees	0	52	0	52
Advertising	5,270	0	2,778	8,048
Interest	0	406	0	406
Special events	10,625	0	31,323	41,948
Board meetings	3,764	469	980	5,213
Professional development	7,368	467	2,434	10,269
	<u>\$ 1,691,743</u>	<u>\$ 110,068</u>	<u>\$ 301,944</u>	<u>\$ 2,103,755</u>

See accompanying notes and accountants' report

**DARKNESS TO LIGHT, INC.**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Exhibit "D"**

<b><u>CASH FLOW FROM OPERATING ACTIVITIES:</u></b>	
Cash received from donors - unrestricted	\$ 2,201,784
Cash received from donors - temporarily restricted	129,163
Cash received from special events	79,515
Cash received from credit card rebates	3,500
Cash paid to employees and benefits	(789,666)
Cash paid for supplies and services	(1,103,642)
Interest received	3,989
Net cash provided by operating activities	<u>524,643</u>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES:</u></b>	
Sale of fixed assets	89,038
Fixed asset purchases	(67,632)
Net cash used for investing activities	<u>21,406</u>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES:</u></b>	
Payments on long-term debt	(5,557)
Net cash used for financing activities	<u>(5,557)</u>
Net increase in cash and cash equivalents	540,492
Cash and cash equivalents - beginning of year	<u>1,041,194</u>
Cash and cash equivalents - end of year	<u>\$ 1,581,686</u>
Reconciliation of net assets to net cash provided by operating activities:	
Change in net assets	<u>\$ 380,219</u>
Adjustments not affecting cash:	
Depreciation expense	140,588
Gain on sale of assets	(9,038)
Changes in assets and liabilities:	
Increase in accounts receivable	(45,685)
Increase in prepaid expenses	(37,185)
Decrease in inventory	42,881
Increase in refundable deposits	(1,475)
Increase in accrued wages	18,092
Increase in accrued annual leave	9,428
Increase in accounts payable	28,737
Decrease in payroll taxes payable	(8,619)
Increase in deferred revenue	6,700
Total adjustments	<u>144,424</u>
Net cash provided by operating activities	<u>\$ 524,643</u>

See accompanying notes and accountants' report

**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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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; 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 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 has opened multiple new bank accounts during the last two years to minimize this risk with BB&T, BBVA Compass and Pinnacle.

**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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, 2018, the liability for accrued vacation of \$22,028 has been recorded in the current liabilities.

h. **Accounting Method Change for Steward of Children**

Darkness to Light has adopted FASB ASC 958-605 for the fiscal year ended June 30, 2018. ASC 958-605 provides that revenue received by a not-for-profit entity should be accounted for as contributions revenue where the intended primary beneficiary of the product or service is other than the individual or organization paying for the product or service. Darkness to Light receives contributions, from individuals and organizations, for the provision of Stewards of Children training to those individuals and associates of those organizations, with the intended primary beneficiaries being the children who are protected from abuse as a result of the knowledge and skills obtained by those taking the training. In those situations the amounts received for the training have been accounted for as contribution revenue.

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	\$ 64,794
- Pledge amounts received after year-end	10,000
- Net of allowance for doubtful accounts	<u>(250)</u>
Net accounts receivable	<u>\$ 74,544</u>

The Corporation collected \$72,688 of the above net accounts receivable by October 31, 2018, which is 97.18%.

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, 2018 is as follows:

Furniture, Fixtures and Equipment	\$ 337,694
Leasehold improvements	56,295
Stewards 2.0	972,904
Less: Accumulated Depreciation	<u>(748,494)</u>
	<u>\$ 618,399</u>

**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

Note 3: **ASSETS AND DEPRECIATION (continued)**

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.

Note 4: **GRANTS – RESTRICTED**

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

a)	<b>Mark E. Motley Foundation</b> Restricted for training lowcountry organizations	\$ 5,000
b)	<b>Ford Family Foundation</b> Restricted for filming and film editing and time with Phoenix Possibilities	25,000
c)	<b>Crossroads</b> Restricted for India Project	50,000
d)	<b>Medical Society of S.C.</b> Restricted for pilot training for select personnel for a child sexual abuse medical certification	10,000
e)	<b>The Exchange Club of Charleston</b> Restricted for social behavior change communication	15,000
f)	<b>Hispanic SBCC</b> Restricted for social behavior change communication within the Hispanic population	5,000
	Total	<u>\$ 110,000</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>

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 June 25, 2019 at an interest rate of 300 bps over the 30 day LIBOR.

**DARKNESS TO LIGHT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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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, 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 December 5, 2018 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 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, 2018**

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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>50,000</u>	<u>15,000</u>	<u>0</u>
Total Support	<u>50,000</u>	<u>15,000</u>	<u>0</u>
<b><u>Expenditures</u></b>			
Fund-raising expenses	0	0	0
Program services	7,011	14,537	5,613
Acquisition of fixed assets	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>7,011</u>	<u>14,537</u>	<u>5,613</u>
Excess (Deficiency) of Support Over Expenditures:	42,989	463	(5,613)
Restricted Assets - Beginning	<u>35,608</u>	<u>13,450</u>	<u>16,218</u>
Restricted Assets - Ending	<u>\$ 78,597</u>	<u>\$ 13,913</u>	<u>\$ 10,605</u>

<b><u>Ford Family Foundation</u></b>	<b><u>Gifts &amp; Grants under \$10,000</u></b>	<b><u>Texas Educators</u></b>	<b><u>Medical Society of SC</u></b>	<b><u>Total</u></b>
\$ 0	\$ 19,163	\$ 0	\$ 0	\$ 19,163
<u>25,000</u>	<u>10,000</u>	<u>0</u>	<u>10,000</u>	<u>110,000</u>
<u>25,000</u>	<u>29,163</u>	<u>0</u>	<u>10,000</u>	<u>129,163</u>
0	0	0	0	0
48,600	21,429	4,742	3,922	105,854
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>48,600</u>	<u>21,429</u>	<u>4,742</u>	<u>3,922</u>	<u>105,854</u>
(23,600)	7,734	(4,742)	6,078	23,309
<u>23,600</u>	<u>19,054</u>	<u>6,013</u>	<u>0</u>	<u>113,943</u>
<u>\$ 0</u>	<u>\$ 26,788</u>	<u>\$ 1,271</u>	<u>\$ 6,078</u>	<u>\$ 137,252</u>