

DARKNESS TO LIGHT, INC.
CHARLESTON, SOUTH CAROLINA

AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2023

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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, 2023, 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, 2023, 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.

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
May 31, 2024

DARKNESS TO LIGHT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

Exhibit "A"

ASSETS

Current Assets

Cash and cash equivalents (Note 1)	\$	529,004
Accounts receivable, net (Note 2)		60,437
Other receivable (Note 5)		280
Prepaid expenses		30,583
Total current assets		620,304

Property and Equipment

(net of accumulated depreciation) (Note 1 & 3)		1,039,229
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Other Assets

Refundable deposits (Note 7)		7,698
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TOTAL ASSETS		\$ 1,667,231
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	163,583
Line of credit - South State Bank		240,000
Current portion, long term lease payable (Note 7)		67,153
Current portion, long term note payable (Note 6)		10,549
Accrued wages		13,837
Accrued annual leave (Note 1)		14,079
Total current liabilities		509,201

Long-Term Liabilities

Lease payable - Garco (Note 7)		635,425
Note payable - South State Bank (Note 6)		38,991
Total long-term liabilities		674,416
Total liabilities		1,183,617

Net Assets

Without Donor Restriction:		
Operations		182,577
Fixed assets		287,111
With Donor Restrictions		13,926
Total net assets		483,614

TOTAL LIABILITIES AND NET ASSETS		\$ 1,667,231
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See accompanying notes and accountants' report

DARKNESS TO LIGHT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit "B"

<u>SUPPORT AND REVENUE</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support:			
Contributions	\$ 1,295,683	\$ 225,000	\$ 1,520,683
Grants	166,480	763,403	929,883
Donated service	250	0	250
Total Support	1,462,413	988,403	2,450,816
Revenue:			
Consultation services	27,630	0	27,630
Rental income	45,672	0	45,672
Investment income	2,426	0	2,426
Total Revenue	75,728	0	75,728
Net assets released from restrictions:			
Satisfaction of usage restrictions	1,567,515	(1,567,515)	0
Total Support and Revenue	3,105,656	(579,112)	2,526,544
 <u>EXPENSES</u>			
Program services	3,217,588	0	3,217,588
General and administrative	160,185	0	160,185
Fund raising	421,344	0	421,344
Total Expenses	3,799,117	0	3,799,117
Change in net assets - operations	(693,461)	(579,112)	(1,272,573)
Prior period adjustment for depreciation of leasehold improvements	(26,055)	0	(26,055)
Net assets, beginning of year	1,189,204	593,038	1,782,242
Net assets, end of year	\$ 469,688	\$ 13,926	\$ 483,614

See accompanying notes and accountants' report

DARKNESS TO LIGHT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

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	\$ 1,532,241	\$ 56,667	\$ 209,536	\$ 1,798,444
Employee benefits and taxes	<u>188,020</u>	<u>9,285</u>	<u>34,819</u>	<u>232,124</u>
Total salaries and related expenses	1,720,261	65,952	244,355	2,030,568
SOC Processing	33,618	0	0	33,618
SOC Production	46,442	0	0	46,442
SOC Shipping	21,809	0	0	21,809
SOC Facilitator training costs	51,201	0	0	51,201
Marketing	23,529	0	23,529	47,058
Special events	2,340	0	2,340	4,680
Travel, lodging and meals	43,876	2,167	8,126	54,169
Board meetings	0	3,328	0	3,328
Bank charges	36,524	1,804	6,763	45,091
Postage	3,914	193	725	4,832
Printing	3,534	175	654	4,363
Office supplies	22,088	1,091	4,090	27,269
Miscellaneous	1,745	87	325	2,157
Equipment and equipment rental	2,807	139	520	3,466
Tech hard equipment programs	2,030	0	2,029	4,059
Software and website expenses	150,534	7,434	27,876	185,844
Telephone	27,070	1,337	5,013	33,420
Crisis line intervention	7,786	0	0	7,786
Depreciation	114,407	5,650	21,186	141,243
Insurance	28,939	1,429	5,359	35,727
Taxes and licenses	1,162	57	215	1,434
Professional fees	304,854	0	0	304,854
Legal fees	0	40,274	0	40,274
Accounting fees	0	13,741	0	13,741
Payroll fees	31,129	1,537	5,765	38,431
Fundraising fees	0	0	10,763	10,763
Dues & subscriptions	8,945	442	1,656	11,043
Rent	108,300	5,348	20,056	133,704
Lease liability expense	43,178	2,132	7,996	53,306
Impairment of right to use asset	80,107	3,956	14,835	98,898
Interest expense	11,779	582	2,181	14,542
Abandonment of Soc 2.0 and India Project	256,748	0	0	256,748
Abandoned furniture & equipment	24,747	1,222	4,583	30,552
Professional development	2,185	108	404	2,697
	<u>\$ 3,217,588</u>	<u>\$ 160,185</u>	<u>\$ 421,344</u>	<u>\$ 3,799,117</u>

See accompanying notes and accountants' report

DARKNESS TO LIGHT, INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit "D"

CASH FLOW FROM OPERATING ACTIVITIES:

Cash received from donors - unrestricted	\$ 1,516,407
Cash received from donors - temporarily restricted	988,403
Cash received for consulting services	27,630
Cash received from rental income	45,672
Cash paid to employees and benefits	(1,638,952)
Cash paid for supplies and services	(1,314,857)
Interest received	2,426
Net cash provided (used) by operating activities	<u>(373,271)</u>

CASH FLOW FROM INVESTING ACTIVITIES:

Fixed asset purchases and right to use asset brought on books	<u>(1,133,070)</u>
Net cash used for investing activities	<u>(1,133,070)</u>

CASH FLOW FROM FINANCING ACTIVITIES:

Payments to South State on the line of credit/note payable	(10,142)
Payments to Garco on long term lease payable	(59,236)
Proceeds from line of credit at South State Bank	240,000
Lease payable to Garco brought on books	<u>761,814</u>
Net cash provided by financing activities	<u>932,436</u>

Net increase in cash and cash equivalents (573,905)

Cash and cash equivalents - beginning of year 1,102,909

Cash and cash equivalents - end of year \$ 529,004

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

Change in net assets \$ (1,272,573)

Adjustments not affecting cash:

Depreciation expense	141,243
Abandonment of Soc 2.0 and India and furniture and equipment	287,300
Impairment of right to use asset due to sub lease	98,898
Amortization of lease right to use asset	57,510

Changes in assets and liabilities:

Decrease in accounts receivable	54,244
Decrease in prepaid expenses	294,683
Increase in accrued wages	4,783
Decrease in accrued annual leave	(14,704)
Decrease in accounts payable	<u>(24,655)</u>
Total adjustments	<u>899,302</u>

Net cash provided by operating activities \$ (373,271)

See accompanying notes and accountants' report

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 their mailing address is 3022 S. Morgans Point Road, # 118, Mt. Pleasant, SC 29466.

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. 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 up to \$250,000 in un-invested cash and up to

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

\$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, 2023, the liability for accrued vacation of \$14,079 has been recorded in the current liabilities.

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	\$60,437
- Net of allowance for doubtful accounts	<u>(0)</u>
Net accounts receivable	<u>\$60,437</u>

The Corporation collected all of the above net accounts receivable by December 18th of 2023, and therefore, no allowance for doubtful accounts was set up as those not received were written off for this statement.

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023 is as follows:

Right to use asset on leased office space	\$ 616,264
Leasehold improvements	240,915
Less: Accumulated Depreciation	<u>(239,746)</u>
Net leasehold improvements and right to use asset	<u>617,433</u>
New Stewards	371,100
Software and Website Development	346,465
Less: Accumulated Amortization	<u>(295,769)</u>
Net Intangibles	<u>421,796</u>
Net Fixed Assets	<u><u>\$1,039,229</u></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. In the year end June 30, 2023 the New Stewards was completed and rolled out in April of 2023 for training purposes. The remaining balance of Stewards 2.0 was written off as of March 31, 2023.

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. The project was completed and placed in service in the year ended June 30, 2022. In the year end June 30, 2023 the entire balance of the India project was written off as not a revenue generating project.

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's policy goal is to maintain cash and cash equivalents equal to six months 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

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 4: LIQUIDITY AND AVAILABILITY (continued)

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 policy goal of having six months cash to meet general expenditures has been a challenge due to the constraints of in-person meeting resulting from Covid 19. Darkness to Light historically has earned a significant percentage of its contribution revenue from in-person training. The organization has responded by creating additional on-line training, managing expenses, reducing contract cost, increased focus on fund raising and grants, and maximizing all government assistance programs.

As of June 30, 2023, 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:

Financial assets at Year-end:	
Cash and cash equivalents	\$529,004
Other receivable	280
Contributions receivable, net	<u>60,437</u>
Total financial assets at year-end	<u>\$589,721</u>

Financial assets available to meet general expenditures over the next twelve months:	
Cash and equivalents	\$529,004
Other receivable	280
Contributions receivable, net	60,437
Less restricted assets	(13,926)
Anticipated satisfaction of usage restrictions on restricted assets	<u>13,926</u>
Total financial assets available to meet general expenditures	<u>\$589,721</u>

Note 5: OTHER RECEIVABLE

The other receivable in the financial statements represents items paid for D2L Advocacy group and was reimbursed in the subsequent year.

Note 6: PROVISIONS OF LONG-TERM DEBT

Darkness to Light, Inc. had a revolving line of credit in place with South State Bank for \$75,000 through August 27, 2021 at an interest rate of 300 bps over the 30-day LIBOR. Darkness to Light borrowed the \$75,000 on July 21, 2020 to fund the acquisition of new furniture and fixtures for the new office space related to the new lease (see Note 7). Later in the year, this borrowing was converted to a note payable with a 7.5 year term with an interest rate of 3.63%.

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

The five-year payment schedule for this term loan with South State Bank is as follows:

<u>Year-End</u>	<u>Amount Due</u>
June 30, 2024	10,549
June 30, 2025	10,938
June 30, 2026	11,342
June 30, 2027	11,761
Balance after 5 years	<u>4,950</u>
Total note payable	49,540
Less current maturities	<u>(10,549)</u>
 Long-term note payable	 <u>\$ 38,991</u>

Note 7: LEASES

On January 6, 2020, Darkness to Light entered into a new lease agreement with Garco Mill Tenant, LLC for new office space located to 4900 O’Hear Avenue in Charleston, SC. The lease is for a ten-year period commencing on the move-in date in August 2020 with annual base rent payments of \$106,590 in the first year of the lease and escalating annually to \$139,029 in the final year of the lease term as follows:

Year 1	\$106,590
Year 2	\$109,788
Year 3	\$113,092
Year 4	\$116,467
Year 5	\$119,949
Year 6	\$123,538
Year 7	\$127,233
Year 8	\$131,035
Year 9	\$134,978
Year 10	\$139,029

The new lease also requires additional rent payments to reimburse the landlord for certain expenses, including a share of real estate taxes and other building operating, management and maintenance costs. The additional rent is anticipated to be approximately \$40,000 per year in the first full year escalating to approximately \$50,000 in the final year. The landlord allowed \$142,120 in landlord funded tenant improvements and added \$100,000 for the rest of the landlord funded improvements into the lease over the ten-year life by increasing the per square foot costs by \$3 each year. Darkness to Light spent \$98,795 in tenant improvement costs. After June of 2022, Darkness to Light moved to a fully remote working arrangement and in February of 2023 entered into a sublease for the office space at 4900 O’Hear Avenue. This sublease calls for less money to be collected in rent income than the amount to be paid out and is an indication of impairment to the original right to use asset. This difference amounts to \$1,000 less per month for the remainder of the lease agreement.

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7: **LEASES (continued)**

In the year ending June 30, 2023, Darkness to Light has implemented ASC 842 for accounting for long term leases. This has required them to present value all the lease payments for the ten-year period and record the lease liability and the right to use asset on the books. The total payments over 10 years total \$1,221,699 and using a borrowing rate of 7.25% from their latest loan, the present value of the payments was calculated to be \$857,280 and that was recorded at where it was in the amortization as of July 1, 2022, the transition date at \$761,814. The right to use asset was recorded based on the net present value of the lease payments less the landlord paid incentive for improvements of \$142,120 or \$715,160 and at the transition date of July 1, 2022 that was \$619,851. The new sublease signed in February of 2023 resulted in a negative cash flow over the 90 months left on the lease of \$98,898 so the right to use asset has been impaired and written down to recognize the entire loss in the year of the sub lease agreement. The right to use asset is being amortized over a straight-line method after the impairment was recorded as of March 1, 2023.

Note 8: **SUBSEQUENT EVENT**

Management has evaluated subsequent events through May 31, 2024. In February of 2024, Darkness to Light was released from the above-mentioned lease agreement with the sub lessee becoming the main lessee. The adjustments will be made in that year to remove the asset and liability in the above-mentioned lease.

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 employees in different functions. The amount of time in each of the functions is based on the bi-weekly time sheets submitted by the employees in which they allocate their time each pay period between the different functions.

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 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.