

DARKNESS TO LIGHT, INC.
CHARLESTON, SOUTH CAROLINA

AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Darkness to Light, Inc.
Charleston, South Carolina

Opinion

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, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Darkness to Light as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Darkness to Light, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Darkness to Light's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Darkness to Light's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Darkness to Light's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Johnston, Marion & Company, CPAs

Johnston, Marion & Company, CPA's
Charleston, South Carolina
February 28, 2025

DARKNESS TO LIGHT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

Exhibit "A"

ASSETS

Current Assets

| | | |
|------------------------------------|----|-----------|
| Cash and cash equivalents (Note 1) | \$ | 980,406 |
| Accounts receivable, net (Note 2) | | 16,593 |
| Prepaid expenses | | 8,057 |
| Total current assets | | 1,005,056 |

Property and Equipment

| | | |
|--|--|---------|
| (net of accumulated depreciation) (Note 1 & 3) | | 472,674 |
|--|--|---------|

| | | |
|---------------------|-----------|------------------|
| TOTAL ASSETS | \$ | 1,477,730 |
|---------------------|-----------|------------------|

LIABILITIES AND NET ASSETS

Current Liabilities

| | | |
|--|----|--------|
| Accounts payable | \$ | 30,212 |
| Current portion, long term note payable (Note 5) | | 10,938 |
| Accrued wages | | 12,799 |
| Accrued annual leave (Note 1) | | 21,178 |
| Total current liabilities | | 75,127 |

Long-Term Liabilities

| | | |
|--|--|---------|
| Note payable - South State Bank (Note 5) | | 28,084 |
| Total long-term liabilities | | 28,084 |
| Total liabilities | | 103,211 |

Net Assets

| | | |
|----------------------------|--|-----------|
| Without Donor Restriction: | | |
| Operations | | 820,927 |
| Fixed assets | | 472,674 |
| With Donor Restrictions | | 80,918 |
| Total net assets | | 1,374,519 |

| | | |
|---|-----------|------------------|
| TOTAL LIABILITIES AND NET ASSETS | \$ | 1,477,730 |
|---|-----------|------------------|

DARKNESS TO LIGHT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit "B"

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|--|--------------|
| <u>SUPPORT AND REVENUE</u> | | | |
| Support: | | | |
| Contributions | \$ 1,656,766 | \$ 3,300 | \$ 1,660,066 |
| Grants | 516,250 | 175,000 | 691,250 |
| Total Support | 2,173,016 | 178,300 | 2,351,316 |
| Revenue: | | | |
| Consultation services | 750 | 0 | 750 |
| Rental income | 69,110 | 0 | 69,110 |
| Gain from release of lease liability | 42,033 | 0 | 42,033 |
| Miscellaneous income | 811 | 0 | 811 |
| Investment income | 3,198 | 0 | 3,198 |
| Total Revenue | 115,902 | 0 | 115,902 |
| Net assets released from restrictions: | | | |
| Satisfaction of usage restrictions | 97,382 | (97,382) | 0 |
| Total Support and Revenue | 2,386,300 | 80,918 | 2,467,218 |
| <u>EXPENSES</u> | | | |
| Program services | 1,365,661 | 0 | 1,365,661 |
| General and administrative | 118,363 | 0 | 118,363 |
| Fund raising | 78,363 | 0 | 78,363 |
| Total Expenses | 1,562,387 | 0 | 1,562,387 |
| Change in net assets - operations | 823,913 | 80,918 | 904,831 |
| Return of restricted funds to donor | 0 | (13,926) | (13,926) |
| Net assets, beginning of year | 469,688 | 13,926 | 483,614 |
| Net assets, end of year | \$ 1,293,601 | \$ 80,918 | \$ 1,374,519 |

See accompanying notes and accountants' report

DARKNESS TO LIGHT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

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 | \$ 721,756 | \$ 31,485 | \$ 44,078 | \$ 797,319 |
| Employee benefits and taxes | 90,416 | 5,137 | 7,192 | 102,745 |
| Total salaries and related expenses | 812,172 | 36,622 | 51,270 | 900,064 |
| SOC Processing | 30,172 | 0 | 0 | 30,172 |
| SOC Production | 107,235 | 0 | 0 | 107,235 |
| SOC Shipping | 40,594 | 0 | 0 | 40,594 |
| SOC Facilitator training costs | 27,550 | 0 | 0 | 27,550 |
| Marketing | 488 | 0 | 488 | 976 |
| Travel, lodging and meals | 2,718 | 154 | 216 | 3,088 |
| Bank charges | 45,408 | 2,580 | 3,612 | 51,600 |
| Postage | 1,004 | 57 | 80 | 1,141 |
| Office supplies | 4,112 | 234 | 327 | 4,673 |
| Tech hard equipment programs | 541 | 0 | 541 | 1,082 |
| Software and website expenses | 24,044 | 1,366 | 1,913 | 27,323 |
| Telephone and internet | 4,064 | 231 | 323 | 4,618 |
| Depreciation | 49,064 | 2,787 | 3,903 | 55,754 |
| Insurance | 31,645 | 1,798 | 2,517 | 35,960 |
| Taxes and licenses | 62 | 4 | 5 | 71 |
| Professional fees | 60,814 | 0 | 0 | 60,814 |
| Legal fees | 0 | 4,031 | 0 | 4,031 |
| Accounting fees | 0 | 61,502 | 0 | 61,502 |
| Payroll fees | 12,866 | 731 | 1,023 | 14,620 |
| Fundraising fees | 0 | 0 | 3,372 | 3,372 |
| Dues & subscriptions | 2,608 | 148 | 208 | 2,964 |
| Rent | 60,694 | 3,448 | 4,828 | 68,970 |
| Lease liability expense | 29,080 | 1,652 | 2,313 | 33,045 |
| Interest expense | 17,198 | 977 | 1,368 | 19,543 |
| Miscellaneous | 1,068 | 13 | 19 | 1,100 |
| Professional development | 460 | 28 | 37 | 525 |
| | <u>\$ 1,365,661</u> | <u>\$ 118,363</u> | <u>\$ 78,363</u> | <u>\$ 1,562,387</u> |

DARKNESS TO LIGHT, INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit "D"

CASH FLOW FROM OPERATING ACTIVITIES:

| | |
|--|--------------|
| Cash received from donors - unrestricted | \$ 2,217,140 |
| Cash received from donors - temporarily restricted | 178,300 |
| Cash received for consulting services | 750 |
| Cash received from rental income | 69,110 |
| Cash received from miscellaneous sources | 811 |
| Cash paid to employees and benefits | (723,375) |
| Cash paid for supplies and services | (837,233) |
| Interest received | 3,198 |
| Net cash provided (used) by operating activities | 908,701 |

CASH FLOW FROM INVESTING ACTIVITIES:

| | |
|--|-----------|
| Fixed asset purchases | (148,818) |
| Net cash used for investing activities | (148,818) |

CASH FLOW FROM FINANCING ACTIVITIES:

| | |
|--|-----------|
| Payments to South State on the line of credit/note payable | (250,518) |
| Payments to Garco on long term lease payable | (44,037) |
| Payback restricted funds to donor | (13,926) |
| Net cash provided by financing activities | (308,481) |

| | |
|---|------------|
| Net increase in cash and cash equivalents | 451,402 |
| Cash and cash equivalents - beginning of year | 529,004 |
| Cash and cash equivalents - end of year | \$ 980,406 |

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

| | |
|--|------------|
| Change in net assets | \$ 904,831 |
| Adjustments not affecting cash: | |
| Depreciation expense | 55,754 |
| Gain on the release of the lease liability | (42,033) |
| Amortization of lease right to use asset | 43,111 |
| Changes in assets and liabilities: | |
| Decrease in accounts receivable | 44,124 |
| Decrease in prepaid expenses | 22,526 |
| Decrease in refundable deposits | 7,698 |
| Decrease in accrued wages | (1,038) |
| Increase in accrued annual leave | 7,099 |
| Decrease in accounts payable | (133,371) |
| Total adjustments | 3,870 |
| Net cash provided by operating activities | \$ 908,701 |

See accompanying notes and accountants' report

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 across 102 countries, D2L provides organizations and individuals with the knowledge and tools to protect children from sexual abuse. To date, over 2.4 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: Software – 5 years. Stewards of Children is amortized on the straight-line method – 10 years.

e. **Cash and Cash Equivalents**

Cash and cash equivalents were held at two FDIC insured banks. The Corporation had bank account balances in excess of the FDIC limit during the year while it was in the process of establishing a new brokerage account which will have an FDIC insured cash sweep function and the ability to resume investments in short-term U.S. Treasury securities to facilitate management of cash and increase investment earnings on the cash.

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, the liability for accrued vacation of \$21,178 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 | \$16,593 |
| - Net of allowance for doubtful accounts | (0) |
| Net accounts receivable | <u>\$16,593</u> |

The Corporation collected all of the above accounts receivable by July 31, 2024, and therefore, no allowance for doubtful accounts was required to be reported at year end June 30, 2024.

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, 2024 is as follows:

| | |
|--------------------------------------|-------------------|
| New Stewards of Children | \$ 371,100 |
| Software and Website Development | 64,732 |
| New Stewards – Spanish (in progress) | 97,382 |
| Less: Accumulated Amortization | <u>(60,540)</u> |
| Net Fixed Assets | <u>\$ 472,674</u> |

Stewards 2.0 was the previous version of the training program and documentary film designed to teach adults how to prevent, recognize, and react responsibly to child sexual abuse. In the

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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

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. The Spanish version of the New Stewards is in the process of being completed as of June 30, 2024.

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 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.

As of June 30, 2024, 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 | \$980,406 |
| Contributions receivable, net | <u>16,593</u> |
| Total financial assets at year-end | <u>\$996,999</u> |
| Financial assets available to meet general expenditures over the next twelve months: | |
| Cash and equivalents | \$980,406 |
| Contributions receivable, net | 16,593 |
| Less restricted assets | (80,918) |
| Anticipated satisfaction of usage restrictions on restricted assets | <u>80,918</u> |
| Total financial assets available to meet general expenditures | <u>\$996,999</u> |

Note 5: **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

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Note 5: **PROVISIONS OF LONG-TERM DEBT (continued)**

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 6). Later in that year, this borrowing was converted to a note payable with a 7.5 year term with an interest rate of 3.63%. This loan was paid in full on November 21, 2024 after the year end of June 30, 2024.

The remaining 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, 2025 | \$ 10,938 |
| June 30, 2026 | 11,342 |
| June 30, 2027 | 11,761 |
| June 30, 2028 | <u>4,981</u> |
| Total note payable | 39,022 |
| Less current maturities | <u>(10,938)</u> |
| Long-term note payable | <u>\$ 28,084</u> |

Note 6: **LEASES**

On January 6, 2020, Darkness to Light entered into a lease agreement with Garco Mill Tenant, LLC for new office space located to 4900 O’Hear Avenue in Charleston, SC. The lease was 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 lease also required 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 was 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

DARKNESS TO LIGHT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Note 6: **LEASES (continued)**

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 called 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.

In the year ending June 30, 2023, Darkness to Light implemented ASC 842 for accounting for long term leases. This has required the organization 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 was impaired and written down to recognize the entire loss in the year of the sub lease agreement. The right to use asset was being amortized over a straight-line method after the impairment was recorded as of March 1, 2023. As of February 16, 2024 this lease was assumed by the sublessee and Darkness to Light has assigned all its rights and interest as the tenant as well as the liability for the lease to the new tenant. Therefore, the right to use asset and lease liability have been removed from the financial statements of Darkness to Light as of June 30, 2024

Note 8: **SUBSEQUENT EVENT**

Management has evaluated subsequent events through February 28, 2025.

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.