

# **Institute for Child Success, Inc.**

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## **Financial Statements**

**Years Ended December 31, 2016 and 2015**

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## **Independent Auditors' Report**

Board of Directors  
Institute for Child Success, Inc.  
Greenville, South Carolina

We have audited the accompanying financial statements of the Institute for Child Success, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' judgment, 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 Organization'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 Organization'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 the Institute for Child Success, Inc. as of December 31, 2016 and 2015, and the results of its activities, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Dixon Hughes Goodman LLP*

**Greenville, South Carolina  
November 27, 2017**

**Institute for Child Success, Inc.**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash	\$ 258,129	\$ 299,229
Accounts receivable	45,250	37,247
Pledges receivable	41,027	21,044
Grants receivable	140,337	123,111
Prepaid expenses	1,876	2,280
Total assets	<u>\$ 486,619</u>	<u>\$ 482,911</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 36,257	\$ 18,066
Due to affiliate	<u>282,830</u>	<u>93,566</u>
Total liabilities	<u>319,087</u>	<u>111,632</u>
Net assets:		
Unrestricted	47,457	150,174
Temporarily restricted	<u>120,075</u>	<u>221,105</u>
Total net assets	<u>167,532</u>	<u>371,279</u>
Total liabilities and net assets	<u>\$ 486,619</u>	<u>\$ 482,911</u>

**Institute for Child Success, Inc.**  
**Statements of Activities**  
**For the Years Ended December 31, 2016 and 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support:						
Private grants	\$ 1,120,245	\$ 417,585	\$ 1,537,830	\$ 1,101,413	\$ 459,050	\$ 1,560,463
Other contributions	310,865	-	310,865	104,583	-	104,583
Other income	564	-	564	870	-	870
Service contract revenue	153,798	-	153,798	138,875	100,000	238,875
Total revenues and other support	1,585,472	417,585	2,003,057	1,345,741	559,050	1,904,791
Net assets released from restriction	518,615	(518,615)	-	452,028	(452,028)	-
Total revenues and other support and net assets released from restriction	2,104,087	(101,030)	2,003,057	1,797,769	107,022	1,904,791
Expenses:						
Salaries and services	904,520	-	904,520	828,587	-	828,587
Employee benefits	175,448	-	175,448	100,685	-	100,685
Payroll taxes	69,933	-	69,933	65,926	-	65,926
Study, consultant, audit and professional fees	328,191	-	328,191	398,298	-	398,298
IT costs and software user fees	43,583	-	43,583	11,668	-	11,668
Supplies	2,330	-	2,330	4,458	-	4,458
Telephone	9,677	-	9,677	14,707	-	14,707
Rent	72,644	-	72,644	67,971	-	67,971
Postage	1,187	-	1,187	3,079	-	3,079
Recruiting	-	-	-	400	-	400
Printing and promotional materials	8,130	-	8,130	32,101	-	32,101
Travel	133,078	-	133,078	165,668	-	165,668
Events and meetings	297,332	-	297,332	187,798	-	187,798
Insurance	3,677	-	3,677	3,675	-	3,675
Dues	1,940	-	1,940	3,390	-	3,390
Miscellaneous	155,134	-	155,134	26,808	-	26,808
Total expenses	2,206,804	-	2,206,804	1,915,219	-	1,915,219
Change in net assets	(102,717)	(101,030)	(203,747)	(117,450)	107,022	(10,428)
Net assets, beginning of year	150,174	221,105	371,279	267,624	114,083	381,707
Net assets, end of year	\$ 47,457	\$ 120,075	\$ 167,532	\$ 150,174	\$ 221,105	\$ 371,279

The accompanying notes are an integral part of these financial statements.

**Institute for Child Success, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

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	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (203,747)	\$ (10,428)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Change in operating assets and liabilities:		
Accounts receivable	(8,003)	(37,247)
Pledges receivable	(19,983)	(21,044)
Grants receivable	(17,226)	(19,629)
Prepaid expenses	404	(693)
Accounts payable	18,191	(18)
Due to affiliate	189,264	16,349
Net cash used by operating activities	<u>(41,100)</u>	<u>(72,710)</u>
Net decrease in cash	(41,100)	(72,710)
Cash, beginning of year	<u>299,229</u>	<u>371,939</u>
Cash, end of year	<u>\$ 258,129</u>	<u>\$ 299,229</u>

## **Notes to Financial Statements**

### **1. Mission**

Headquartered in Greenville, South Carolina, the Institute for Child Success, Inc. (the "Organization") is an independent, nonpartisan, nonprofit research and policy organization dedicated to the success of all young children.

### **2. Summary of Significant Accounting Policies**

#### ***Accounting Basis***

The accompanying financial statements have been prepared on the accrual basis.

#### ***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

#### ***Cash***

The Organization maintains bank accounts at financial institutions covered by the Federal Deposit Insurance Corporation ("FDIC"). At times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit. It is management's opinion that these financial institutions are financially sound and that the Organization is not exposed to any significant credit risk related to cash.

#### ***Restricted and Unrestricted Revenue and Support***

The Organization reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets. Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the Statement of Activities as net assets released from restriction.

#### ***Income Taxes***

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2016.

#### ***Reclassification***

To allow for improved transparency in the nature of expenses and receivables, certain prior year amounts have been reclassified to conform to the current year's presentation. The impact of these reclassifications does not represent a significant change in presentation. Approximately \$374,000 of 2015 contract services has been reclassified from salaries and services to study, consultant, audit and professional fees to conform

**Institute for Child Success, Inc.**  
**Notes to Financial Statements**

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to the 2016 presentation. Additionally, grants receivable was disaggregated into more specific categories of receivables; accounts receivable, pledges receivable, and grants receivable. The amount of reclassified receivables as of December 31, 2015 totaled approximately \$58,000. These reclassifications did not have any effect on the Organization's total expenses or assets.

**3. Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31 are available for the following specific program services:

	<u>2016</u>	<u>2015</u>
Pay for Success	\$ 44,270	\$ 106,462
Capacity Building	5,176	108,643
Earned Income Tax Credit Initiative	-	6,000
Policy and Research	<u>70,629</u>	<u>-</u>
	<u>\$ 120,075</u>	<u>\$ 221,105</u>

**4. Related Party Transactions**

The United Way of Greenville County, Inc. ("United Way") collects receipts and makes payments on behalf of the Organization. At December 31, 2016 and 2015, the Organization owes approximately \$283,000 and \$94,000, respectively, to United Way related to unreimbursed expenses paid by United Way on behalf of the Organization. It is anticipated that the Organization will continue to receive back office support from United Way.

Beginning in January 2015, the Organization subleases their office space from the United Way for the remainder of the lease term, ending October 31, 2017, at \$2,700 per month. The lease remains in the name of the United Way and therefore no future commitments are disclosed in the Organization's financial statements.

**5. Line of Credit**

In 2015 the Organization opened a \$100,000 revolving line of credit which is secured by grant receivables. The line of credit bears interest at 4.75% and will expire in April 2019. There were no outstanding borrowings against the line of credit at December 31, 2016.

**6. Commitments**

During December 2015, the Organization entered into an agreement with Mike Daniel & Associates, P.A. ("MD&A") for strategic consulting services and governmental advocacy services. The agreement expired December 31, 2016, and the Organization entered into another agreement in January 2017. The new agreement requires the Organization to pay \$60,000 over a 12 month term with monthly installments of \$5,000. The agreement expires on December 31, 2017. The agreement may be terminated at any time by either party upon giving 60 days written notice.

**7. Subsequent Events**

Subsequent events have been evaluated through November 27, 2017, which is the date the financial statements were available to be issued.