

Institute for Child Success, Inc.

Financial Statements

Years Ended December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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
August 23, 2016**

Institute for Child Success, Inc.
Statements of Financial Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 299,229	\$ 371,939
Grants receivable	181,402	103,482
Prepaid expenses	<u>2,280</u>	<u>1,587</u>
Total assets	<u>\$ 482,911</u>	<u>\$ 477,008</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 18,066	\$ 18,084
Due to affiliate	<u>93,566</u>	<u>77,217</u>
Total liabilities	<u>111,632</u>	<u>95,301</u>
Net assets:		
Unrestricted	150,174	267,624
Temporarily restricted	<u>221,105</u>	<u>114,083</u>
Total net assets	<u>371,279</u>	<u>381,707</u>
Total liabilities and net assets	<u>\$ 482,911</u>	<u>\$ 477,008</u>

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

Institute for Child Success, Inc.
Statements of Activities
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support:						
Private grants	\$ 1,101,413	\$ 459,050	\$ 1,560,463	\$ 817,068	\$ 201,300	\$ 1,018,368
Other contributions	104,583	-	104,583	112,109	-	112,109
Other income	870	-	870	644	-	644
Service contract revenue	138,875	100,000	238,875	129,096	-	129,096
Total revenues and other support	1,345,741	559,050	1,904,791	1,058,917	201,300	1,260,217
Net assets released from restriction	452,028	(452,028)	-	88,294	(88,294)	-
Total revenues and other support and net assets released from restriction	1,797,769	107,022	1,904,791	1,147,211	113,006	1,260,217
Expenses:						
Salaries and services	1,202,105	-	1,202,105	536,157	-	536,157
Employee benefits	100,685	-	100,685	68,734	-	68,734
Payroll taxes	65,926	-	65,926	33,332	-	33,332
Study, consultant, audit and professional fees	24,780	-	24,780	57,098	-	57,098
IT costs and software user fees	11,668	-	11,668	23,147	-	23,147
Supplies	4,458	-	4,458	8,927	-	8,927
Telephone	14,707	-	14,707	2,424	-	2,424
Rent	67,971	-	67,971	21,332	-	21,332
Postage	3,079	-	3,079	826	-	826
Recruiting	400	-	400	1,512	-	1,512
Printing and promotional materials	32,101	-	32,101	19,228	-	19,228
Travel - local	165,668	-	165,668	94,902	-	94,902
Events and meetings	187,798	-	187,798	119,870	-	119,870
Insurance	3,675	-	3,675	1,908	-	1,908
Dues	3,390	-	3,390	2,357	-	2,357
Miscellaneous	26,808	-	26,808	43,075	-	43,075
Total expenses	1,915,219	-	1,915,219	1,034,829	-	1,034,829
Change in net assets	(117,450)	107,022	(10,428)	112,382	113,006	225,388
Net assets, beginning of year	267,624	114,083	381,707	155,242	1,077	156,319
Net assets, end of year	\$ 150,174	\$ 221,105	\$ 371,279	\$ 267,624	\$ 114,083	\$ 381,707

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (10,428)	\$ 225,388
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Change in operating assets and liabilities:		
Grants receivable	(77,920)	(57,518)
Prepaid expenses	(693)	(723)
Accounts payable	(18)	13,061
Due to affiliate	16,349	1,005
Net cash provided (used) by operating activities:	<u>(72,710)</u>	<u>181,213</u>
Net increase (decrease) in cash	(72,710)	181,213
Cash, beginning of year	<u>371,939</u>	<u>190,726</u>
Cash, end of year	<u>\$ 299,229</u>	<u>\$ 371,939</u>

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

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, 2015.

Institute for Child Success, Inc.
Notes to Financial Statements

3. Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Pay for Success	\$ 106,462	\$ -
Capacity Building	108,643	107,382
Earned Income Tax Credit Initiative	6,000	-
Innovation & Technology Initiative	<u>-</u>	<u>6,701</u>
	<u>\$ 221,105</u>	<u>\$ 114,083</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, 2015 and 2014, the Organization owes approximately \$94,000 and \$77,000, 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 began subleasing 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

During 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 January 2017. There were no outstanding borrowings against the line of credit at December 31, 2015.

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 expires December 31, 2016 and calls for the Organization to pay \$58,500 over the term of the agreement in 12 monthly installments of \$4,875. 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 August 23, 2016, which is the date the financial statements were available to be issued.