# Institute for Child Success, Inc.

## Financial Statements

**Year Ended December 31, 2018**

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DIXON HUGHES GOODMAN LLP

# 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 statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses 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.

### *Auditors' 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 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, 2018, and the results of its activities, and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

***Change in Accounting Principles***

As discussed in Note 2 to the financial statements, the Organization adopted FASB Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. The primary impact of adopting this ASU is further described in Note 2. Our opinion is not modified with respect to this matter.

Dixon Hughes Goodman LLP

**Greenville, South Carolina**
**August 13, 2019**

# Institute for Child Success, Inc.
# Statement of Financial Position

**December 31, 2018**

| | | |
|---|---|---|
| **ASSETS** | | |
| Cash | $ | 259,469 |
| Accounts receivable | | 400,971 |
| Pledges receivable | | 29,985 |
| Prepaid expenses | | 3,505 |
| Security deposits | | 2,290 |
| **TOTAL ASSETS** | $ | 696,220 |
| | | |
| **LIABILITIES AND NET ASSETS** | | |
| **Liabilities** | | |
| Accounts payable | $ | 20,356 |
| Accrued expenses | | 5,749 |
| Due to affiliate | | 122,081 |
| **Total liabilities** | | 148,186 |
| | | |
| **Net assets** | | |
| Net assets without donor restrictions | | 548,034 |
| | | |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 696,220 |

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

# Institute for Child Success, Inc.
## Statement of Activities
### For the Year Ended December 31, 2018

| | |
|---|---|
| Revenues and other support: | |
| Federal grants | $ 466,501 |
| Private grants | 543,195 |
| Service contract revenue | 180,037 |
| In-kind contributions | 157,407 |
| Other contributions | 450,525 |
| Other income | 353 |
| Total revenues and other support | 1,798,018 |
| Expenses: | |
| Salaries and services | 622,808 |
| Employee benefits | 77,607 |
| Payroll taxes | 49,029 |
| Study and consultant fees | 571,214 |
| IT costs and software user fees | 20,556 |
| Supplies | 8,963 |
| Telephone | 7,887 |
| Legal and audit fees | 18,250 |
| Occupancy | 31,167 |
| Printing and promotional materials | 5,089 |
| Travel | 103,179 |
| Events and meetings | 106,972 |
| Insurance | 3,491 |
| Dues | 3,605 |
| In-kind services | 157,407 |
| Miscellaneous | 8,328 |
| Total expenses | 1,795,552 |
| Change in net assets | 2,466 |
| Net assets, beginning of year | 545,568 |
| Net assets, end of year | $ 548,034 |

# Institute for Child Success, Inc.
## Statement of Functional Expenses
**For the Year Ended December 31, 2018**

| | Program | Management and General | Fundraising | Total |
|---|---|---|---|---|
| Labor and services | $ 584,566 | $ 97,428 | $ 67,450 | $ 749,444 |
| Study and consultant fees | 455,081 | 111,328 | 4,805 | 571,214 |
| Travel | 92,865 | 5,157 | 5,157 | 103,179 |
| Events and meetings | 96,274 | 5,349 | 5,349 | 106,972 |
| Legal and audit fees | - | 18,250 | - | 18,250 |
| IT costs and software user fees | 12,334 | 4,111 | 4,111 | 20,556 |
| Supplies | 2,450 | 5,900 | 613 | 8,963 |
| Telephone | 6,310 | 1,183 | 394 | 7,887 |
| Occupancy | 24,934 | 4,675 | 1,558 | 31,167 |
| Printing and promotional materials | 2,545 | 508 | 2,036 | 5,089 |
| Insurance | - | 3,491 | - | 3,491 |
| Dues | 3,605 | - | - | 3,605 |
| In-kind services | 157,407 | - | - | 157,407 |
| Miscellaneous | 6,132 | 2,196 | - | 8,328 |
| Total expenses | $ 1,444,503 | $ 259,576 | $ 91,473 | $ 1,795,552 |

# Institute for Child Success, Inc.
## Statement of Cash Flows
**For the Year Ended December 31, 2018**

| | |
|---|---|
| Cash flows from operating activities: | |
| Change in net assets | $ 2,466 |
| Adjustments to reconcile change in net assets to net cash flows used by operating activities: | |
| Change in operating assets and liabilities: | |
| Accounts receivable | (385,060) |
| Pledges receivable | (3,361) |
| Grants receivable | 140,000 |
| Prepaid expenses | (2,451) |
| Accounts payable | (21,847) |
| Accrued expenses | 1,393 |
| Due to affiliate | (79,084) |
| Net cash flows used by operating activities | (347,944) |
| Net decrease in cash | (347,944) |
| Cash, beginning of year | 607,413 |
| Cash, end of year | $ 259,469 |

# Notes to Financial Statements

## 1. Organization

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. The Organization's two members are Prisma Health and The United Way of Greenville County, Inc.

## 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 ("US GAAP") 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.

### *Revenue and Support With and Without Donor Restriction*

Contributions received are recorded as support without donor restriction or with donor restriction, depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported on the statement of activities and changes in net assets as net assets without donor restriction. Contributions received with donor restrictions that are met in the same year in which the contributions are received are classified as contributions without donor 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, 2018.

## 2. Summary of Significant Accounting Policies (Continued)

***Recent Accounting Pronouncements***

The Financial Accounting Standards Board (the "FASB") has recently issued several Accounting Standards Updates ("ASUs"). A summary of the ASUs most relevant to the Organization are as follows:

In May 2014, the FASB issued **ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606)**. The objective of the new guidance is to establish principles to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue from contracts with customers. This ASU determines that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance:

- Removes inconsistencies and weaknesses in existing revenue requirements
- Provides a more robust framework for addressing revenue issues
- Improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets
- Provides more useful information to users of financial statements through improved disclosure requirements, and
- Simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

Several clarifying standards related to this ASU have been issued since May 2014. The ASU is effective for nonpublic organizations for annual reporting periods beginning after December 15, 2018. The Organization has not yet implemented this ASU. The Organization is currently evaluating the effects of this ASU.

In February 2016, the FASB issued **ASU 2016-02, *Leases* (Topic 842)**. This ASU establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. Under this standard, the lessee is required to recognize most leases on its statement of financial position, whereas previous guidance has allowed the lessee to classify operating leases on the statement of activities and changes in net assets. This ASU has had clarification updates through December 2018. The ASU is effective for nonpublic organizations for annual reporting periods beginning after December 15, 2020. The Organization has not yet implemented this ASU. The Organization is currently evaluating the effects of this ASU.

In August 2016, the FASB issued **ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958)**, which is the first of two phases that revise the way that all not-for-profits ("NFPs") present financial statements. Key measures of this ASU are:

- The reduction of the three existing net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two net asset classes: net assets without donor restrictions and net assets with donor restrictions.
- An analysis of expenses both by function and natural classification either in a separate statement or within the footnotes to the financial statements.

## 2. Summary of Significant Accounting Policies (Continued)

***Recent Accounting Pronouncements (Continued)***

This ASU is effective for fiscal years beginning after December 15, 2017. The Organization has implemented this ASU for the year ended December 31, 2018, with no significant effects.

## 3. Related Party Transactions

The United Way of Greenville County, Inc. (the "United Way") was the employer of record for all the Organization's employees and processed the Organization's payroll through December 26, 2018. During 2018, the Organization paid the United Way $828,528 to be remitted to employees for personnel costs related to 2017 and 2018. Additionally, the Organization accrued $122,081 at December 31, 2018 payable to the United Way for payroll processed in 2018, included as due to affiliate on the statement of financial position. The Organization selected a new, unrelated vendor for payroll processing effective December 27, 2018.

The Organization also received $202,310 in contributions from the United Way during the year ended December 31, 2018.

## 4. Line of Credit

The Organization maintains a revolving line of credit which is secured by grant receivables. The line of credit had availability of $200,000 as of December 31, 2018, bears interest at 5.75%, and was renewed on July 15, 2019 with an expiration date of July 15, 2021. There were no outstanding borrowings against the line of credit at December 31, 2018.

## 5. Commitments

Study and consultant fees paid by the Organization represent contractual relationships with third parties to flexibly augment both programmatic and operational capacity. Ongoing periodic financial commitments from those relationships can be adjusted or terminated with 14 and 60 day notice, varying by contract.

## 6. Leases

The Organization's office lease agreement calls for monthly rent of $1,600 per month (plus common area maintenance fees) that expires September 30, 2019. Occupancy expense under this agreement, which includes monthly rent and common area maintenance fees, for the year ended December 31, 2018 was $25,392. See Note 9 for information regarding office lease extensions signed after December 31, 2018.

## 7. Methods Used for Allocation of Expenses Among Program and Supporting Services

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. The statement of functional expenses reports the allocations of these expenses by functional classification. Labor and services are allocated based on an estimate of the percentage of time spent on program and supporting services for each employee. All other expenses are allocated based on management's assertion of the percentage that each type of natural expense is consumed by program or supporting services.

## 8. Liquidity and Availability of Resources

The Organization has $690,425 of financial assets available within one year of December 31, 2018. None of the financial assets are subject to donor or other contractual restrictions to make them unavailable for general expenditure within one year of the statement of financial position date. The Organization has a goal to maintain cash on hand to meet ninety days of normal operating expenses, which on average are approximately $450,000. As of December 31, 2018, the Organization has achieved this goal.

The Organization's financial assets due within one year of the statement of financial position date at December 31, 2018 for general expenditure are as follows:

| | | |
|---|---|---|
| Cash | $ | 259,469 |
| Accounts receivable | | 400,971 |
| Pledges receivable | | 29,985 |
| Total | $ | **690,425** |

## 9. Subsequent Events

Subsequent to December 31, 2018, the Organization signed an extension for the office lease. The term of the extension is October 1, 2019 through September 30, 2021. Monthly rent remains at $1,600. Minimum future lease payments for the office lease are as follows: $19,200 for 2019 and 2020, and $14,400 for 2021.

As detailed in Note 4, the Organization renewed the line of credit agreement subsequent to December 31, 2018.

Subsequent events have been evaluated through August 13, 2019, which is the date the financial statements were available to be issued.