

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

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**Financial Statements**

**Year Ended December 31, 2019**

## **Table of Contents**

<b>Independent Auditors' Report .....</b>	<b>1</b>
<b>Financial Statements:</b>	
Statement of Financial Position .....	2
Statement of Activities .....	3
Statement of Functional Expenses .....	4
Statement of Cash Flows.....	5
<b>Notes to Financial Statements .....</b>	<b>6-9</b>



## **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, 2019, 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, 2019, 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*

**Greenville, South Carolina  
August 17, 2020**

**Institute for Child Success  
Statement of Financial Position  
December 31, 2019**

**ASSETS**

Cash	\$ 464,010
Grants and accounts receivable	199,535
Pledges receivable	26,278
Security deposits	2,290

**TOTAL ASSETS**

**\$ 692,113**

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 39,266
Accrued expenses	10,100
Line of credit	22,420

**Total liabilities**

**71,786**

**Net assets without donor restrictions**

**620,327**

**TOTAL LIABILITIES AND NET ASSETS**

**\$ 692,113**

**Institute for Child Success**  
**Statement of Activities**  
For the year ended December 31, 2019

**REVENUES AND OTHER SUPPORT**

Private grants	\$ 937,500
Contributions and other support	411,728
Service contracts and fees	197,734
Other income	520
	<u>520</u>

<b>Total revenues and other support</b>	<b>1,547,482</b>
	<u><b>1,547,482</b></u>

**EXPENSES**

Employee services	893,734
Policy and research contract services	269,233
Marketing, events, travel and training	137,789
Professional services - administrative	100,182
Administration, office support and technology	41,963
Occupancy	32,288
	<u>32,288</u>

<b>Total expenses</b>	<b>1,475,189</b>
	<u><b>1,475,189</b></u>

<b>CHANGE IN NET ASSETS</b>	<b>72,293</b>
	<u><b>72,293</b></u>

<b>NET ASSETS, beginning of year</b>	<b>548,034</b>
	<u><b>548,034</b></u>

<b>NET ASSETS, end of year</b>	<b>\$ 620,327</b>
	<u><u><b>\$ 620,327</b></u></u>

**Institute for Child Success**  
**Statement of Functional Expenses**  
For the year ended December 31, 2019

<b>EXPENSE</b>	<b>PROGRAM</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
Employee services	\$ 671,285	\$ 157,473	\$ 64,976	\$ 893,734
Policy and research services	254,088	-	-	254,088
Grants to other organizations	4,000	-	-	4,000
Printing, graphics and mailings	11,145	2,447	615	14,207
Advertising and promotion	6,788	-	-	6,788
Travel	66,311	3,589	-	69,900
Events, conferences and meetings	48,705	9,334	-	58,039
Legal fees	-	4,311	-	4,311
Accounting, payroll and audit fees	-	78,371	-	78,371
Marketing management fees	-	17,500	-	17,500
Office expenses	2,683	5,422	318	8,423
Dues and subscriptions	4,858	1,569	-	6,427
Information technology	16,122	5,077	1,051	22,250
Insurance	-	4,760	-	4,760
Interest	-	103	-	103
Occupancy	16,757	12,670	2,861	32,288
<b>TOTAL EXPENSES</b>	<b>\$ 1,102,742</b>	<b>\$ 302,626</b>	<b>\$ 69,821</b>	<b>\$ 1,475,189</b>

**Institute for Child Success**  
**Statement of Cash Flows**  
For the year ended December 31, 2019

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 72,293
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Change in operating assets and liabilities:	
Grants and accounts receivable	201,436
Pledges receivable	3,707
Prepaid expenses	3,505
Accounts payable	18,911
Accrued expenses	4,350
Due to affiliate	<u>(122,081)</u>
<b>Net cash flows from operating activities</b>	<b><u>182,121</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Line of credit advances	<u>22,420</u>
<b>Net cash flows from financing activities</b>	<b><u>22,420</u></b>
<b>NET CHANGE IN CASH</b>	<b>204,541</b>
<b>CASH, beginning of year</b>	<b><u>259,469</u></b>
<b>CASH, end of year</b>	<b><u><u>\$ 464,010</u></u></b>

## **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.

### **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 as net assets released from restrictions. 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, 2019.

### ***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, 2019. 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.

### **3. Related Party Transactions**

United Way of Greenville County, Inc. (“United Way”) and Prisma Health (“Prisma”) were Members of the Organization as of December 31, 2019 and through February 18, 2020. Please refer to Note 9.

The Organization in 2019 repaid to United Way \$122,081 owed at December 31, 2018 for payroll processed by United Way when it was the employer of record for the Organization. The Organization contracted with a Certified Professional Employer Organization (CPEO) on December 27, 2018 to be its legal employer of record. While the CPEO and the Organization are deemed to be Co-Employers, the CPEO handles most processing, administration and compliance aspects of human resources, employee benefits, payroll, and payroll taxes.

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

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The Organization received \$180,000 in direct contributions and recorded \$18,590 in pass-through donor pledges from United Way during the year ended December 31, 2019. Donor pledges outstanding for the 2019 campaign and prior year campaigns total \$26,278 at December 31, 2019.

The Organization recorded service contract fees of \$34,492 and contributions of \$43,747 from Prisma affiliated entities during the year ended December 31, 2019. Related accounts receivable total \$17,331 at December 31, 2019.

The Organization collected \$5,000 from a Prisma affiliated entity in 2019 for accounts receivable outstanding at December 31, 2018.

**4. Line of Credit**

The Organization maintains a revolving line of credit in the amount of \$200,000 which is secured by grants and accounts receivable. Outstanding borrowings under the line of credit bear interest at a variable rate equal to the Bank's prime rate plus .25%, with interest computed at a minimum rate of five (5) percent per annum. Interest is payable monthly. The line of credit expires on July 15, 2021. Outstanding borrowings under the line of credit of \$22,420 at December 31, 2019 were repaid in January 2020.

**5. Commitments**

Policy and research contract services and other professional 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 generally be adjusted or terminated with 14 to 60 days' notice, varying by contract.

**6. Leases**

The Organization's office lease agreement provides for monthly rent of \$1,600 per month, plus common area maintenance charges, and expires on September 30, 2021. Rent and maintenance expenses under this agreement were \$25,578 for the year ended December 31, 2019, included in occupancy expense on the statement of activities.

**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 \$680,528 of financial assets available within one year of December 31, 2019. 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, or approximately \$370,000, for 2019. As of December 31, 2019, 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, 2019 for general expenditure are as follows:

Cash	\$	464,010
Grant and accounts receivable		199,535
Pledges receivable		16,983
Total	\$	<u><u>680,528</u></u>

## **9. Subsequent Events**

On February 19, 2020, the Organization amended its Bylaws to eliminate articles related to Members and Meetings of Members. The Bylaws were also amended to acknowledge its two initial Members, United Way of Greenville County and Children's Hospital of Prisma Health System, as Founding Organizations.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency due to a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin in China. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase of exposure globally, including in the United States. The full impact of the COVID-19 pandemic on the United States and South Carolina continues to evolve as of the date of this report. As such, uncertainty exists regarding the full magnitude the pandemic may have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation and any impacts on its financial condition, liquidity, operations, grantors, clients, industry, and workforce. Given the continuing evolution of the COVID-19 outbreak and governmental responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity in 2020.

Related to the COVID-19 outbreak, the US government made certain financial resources and programs available to small business and non-profit organizations. The Organization has participated in these programs as follows:

On May 1, 2020 the Organization received \$10,000 from the US Small Business Administration as an advance on a still in-process COVID-19 Emergency Impact Disaster Loan application process. The terms of the loan are still being negotiated. If the loan is ultimately not executed, then the \$10,000 advance will be repaid over a two-year term and will bear interest at a 1% annual rate.

On April 14, 2020 the Organization received \$152,429 in loan funds from its local bank under the US Small Business Administration's Paycheck Protection Program, primarily to fund payroll. The Organization anticipates meeting all requirements under this Program, which will allow the loan to be forgiven and be characterized as a grant to the Organization during 2020.

Subsequent events have been evaluated through August 17, 2020, which is the date the financial statements were available to be issued.