Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center

Report on Financial Statements Year Ended December 31, 2021



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Independent Auditor's Report

Board of Directors
Children in Crisis in Dorchester County, Inc.
dba Dorchester Children's Advocacy Center

Opinion

We have audited the financial statements of Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center as of December 31, 2021, 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 (GAAS). 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 Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center 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 Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center's ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center'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 Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center'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.

Mount Pleasant, South Carolina

July 5, 2022

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Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center Statement of Financial Position December 31, 2021

Assets

Current Assets Cash and cash equivalents Accounts receivable Grants receivable Promises to give	\$	890,318 11,600 109,353 614,641
Prepaid expenses		12,357
Total Current Assets		1,638,269
Noncurrent Assets Non-depreciable assets Depreciable assets, net Total Noncurrent Assets	_	450,435 1,516,004 1,966,439
Total Assets	\$	3,604,708
Liabilities and Net Assets		
Current Liabilities Accounts payable Accrued payroll and liabilities Accrued expenses	\$	726 30,670 5,337
Total Current Liabilities		36,733
Total Liabilities		36,733
Net Assets Without donor restrictions With donor restrictions		2,788,416 779,559
Total Net Assets		3,567,975
Total Liabilities and Net Assets	\$	3,604,708

Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center Statement of Activities Year Ended December 31, 2021

	Vithout Donor strictions	 th Donor strictions	Total
Revenue and Support			
Contributions	\$ 329,357	\$ 15,000	\$ 344,357
Special events and fundraising	213,841	-	213,841
Dorchester County referendum	48,443	726,165	774,608
Grants	548,215	83,370	631,585
Program services	7,140	4,339	11,479
Interest income	1,328	-	1,328
In-kind contributions	1,966	-	1,966
Net assets released from restrictions	 750,825	 (750,825)	
Total Support and Revenue	 1,901,115	 78,049	 1,979,164
Expenses			
Program services	1,404,726	-	1,404,726
Management and general	116,814	-	116,814
Fundraising	 125,033	 	 125,033
Total Expenses	 1,646,573	 	 1,646,573
Change in Net Assets	254,542	78,049	332,591

2,533,874

\$ 2,788,416

701,510

779,559

\$

3,235,384

\$ 3,567,975

Beginning Net Assets

Ending Net Assets

Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center Statement of Functional Expenses Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Personnel				
Salaries and wages	\$ 898,511	\$ 85,642	\$ 55,189	\$ 1,039,342
Employee benefits	99,744	9,507	6,127	115,378
Payroll taxes	64,521	6,150	3,963	74,634
Total Personnel	1,062,776	101,299	65,279	1,229,354
Other Functional Expenses				
Depreciation	73,029	2,617	1,560	77,206
Fundraising costs	13,888	1,348	49,788	65,024
Insurance	41,221	4,000	3,030	48,251
Telephone and utilities	37,983	1,361	811	40,155
Program expense	39,775	-	-	39,775
Professional services	32,442	1,916	1,451	35,809
Maintenance	31,538	1,060	632	33,230
Contract services - IT support	15,160	1,471	1,114	17,745
Equipment and rentals	13,940	-	-	13,940
Janitorial and housekeeping	11,860	425	253	12,538
Contract services	11,446	-	-	11,446
Supplies	4,300	417	316	5,033
Casual labor	3,133	304	230	3,667
Printing and postage	2,945	193	189	3,327
Membership and licenses	2,766	268	203	3,237
Subscriptions	2,042	-	-	2,042
Training	1,312	44	44	1,400
Travel and meetings	1,136	15	15	1,166
Furniture and fixtures	707	69	52	828
Miscellaneous	724	-	-	724
Taxes	422	-	-	422
Program supplies	109	-	-	109
Interest	72	7	5	84
Bank fees			61	61
Total Other Functional Expenses	341,950	15,515	59,754	417,219
Total Functional Expenses	\$ 1,404,726	\$ 116,814	\$ 125,033	\$ 1,646,573

Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center Statement of Cash Flows

Year Ended December 31, 2021

Cash Flows from Operating Activities		
Change in net assets	\$	332,591
Adjustments to reconcile change in net assets to		
net cash provided by operating activities:		
Depreciation		77,206
Change in:		
Accounts receivable		(11,180)
Grants receivable		98,241
Promises to give		(29,373)
Prepaid expenses		842
Accounts payable		(6,277)
Accrued payroll and liabilities		(2,113)
Accrued expenses		(3,231)
Net cash provided by operating activities		456,706
Cash Flows from Investing Activities		
Purchase of property and equipment		(7,449)
Net cash used in investing activities		(7,449)
Cash Flows from Financing Activities:		
Repayment of long-term debt		(150,000)
Net cash used in financing activities		(150,000)
Net Increase in Cash and Cash Equivalents		299,257
Cash and Cash Equivalents, Beginning of Year		591,061
Cash and Cash Equivalents, End of Year	\$	890,318
Supplemental Disclosure:		
Cash paid for interest	\$	84
F	т	
Schedule of non-cash investing and financing transactions:		
Debt incurred to acquire property	\$	150,000

Note A – Nature of Operations

Children in Crisis in Dorchester County, Inc. dba Dorchester Children's Advocacy Center (the Center) is a nonprofit organization incorporated in South Carolina. The Center provides services for emergency care for children who are victims of abuse or neglect to include interdisciplinary evaluations, intervention, evidence gathering and counseling. The Center also provides community outreach, education, and advocacy for children and families who are experiencing problems with abuse and neglect. The Center is funded primarily by donor contributions, special events, grants, and a county tax levy.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The Center's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America (U.S. GAAP), and accordingly reflect all significant receivables, payables, and other liabilities. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Center's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) of the United States of America in its Accounting Standards Codification (ASC) 958 – 205, Not-For-Profit Entities – Presentation of Financial Statements. These standards require the Center to report information regarding its financial position and activities according to the following net asset classifications:

<u>Net assets without donor restrictions</u> - Net assets that are not subject to or are no longer subject to donor-imposed stipulations and may be expended for any purposes in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center's management and Board of Directors.

<u>Net assets with donor restrictions</u> - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. The Center allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to the appropriate expenditure classification. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, such expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include janitorial, facilities maintenance, depreciation, and utilities, which are allocated based on a square footage basis, as well as salaries and wages and payroll taxes, which are allocated based on estimates of time and responsibilities, and benefits, supplies, dues, licenses, insurance, professional services, and information technology support, which are allocated on the basis of estimates of usage.

Use of Estimates and Assumptions

The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants Receivable

Grants receivable represent amounts awarded by various government agencies. Grants receivable are due within one year and are recorded at their net realizable value. Management estimates an allowance for uncollectible grants receivable based on current economic conditions, historical trends, and current and past experience with individual grantors.

Promises to Give

Unconditional promises to give are recognized as receivables and revenue or gains in the period the promise to give is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met, and the promises become unconditional. Unconditional promises to give due in subsequent years are reported at present value of their net realizable value, using risk free interest rates applicable to the years in which the promises are to be received.

The Center uses the allowance method to determine uncollectible promises to give when deemed necessary. The allowance is based on prior years' experience and management's analysis of specific accounts. Bad debts are charged to expense in the year they are considered uncollectible. Recoveries are credited to revenue in the year collected.

Restricted and Unrestricted Revenue and Support

Contributions, which at times, may include unconditional promises to give, are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose.

The Center reports contributions in the donor restricted net asset class if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restriction in the Statements of Activities.

Income Tax Status

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from federal and state income taxes unless income is generated from unrelated business activities. There is no unrelated business income for 2021. The Center qualifies for the charitable contribution deduction under Section 170(b)(1) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The FASB provides guidance on the Center's evaluation of accounting for uncertainty in income taxes. Management evaluated the Center's position and concluded that the Center had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Generally, items costing \$1,500 or more are capitalized; lesser amounts for property and equipment and costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Management periodically determines if any property and equipment is impaired. Useful lives of property and equipment are as follows:

15 - 39 years
5 years
5 years
7 years
5 years

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Some grantors may retain a reversionary interest in specific assets if the mission of the Center changes.

Donated Services

Donated services are recognized as contributions in accordance with ASC 958-605, *Not-For-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. Volunteers also provided many hours in fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 – 605 are not met.

Compensated Absences

The Center provides paid time off to employees to be used during absences from work. Employees accrue paid time off each pay period and an employee can carry up to 80 hours to the next year but will be paid for the first 40 hours in January of the following year. Any remaining hours rolled over must be used within 6 months or they are forfeited by the employee. When an employee terminates employment with the Center, the employee is not entitled to any payment for any unused paid time off, however upon separation from service, the Center may award an employee the value of accrued, unused, and available paid time off at its discretion.

Note C - Grants Receivable

Grants receivable totaled \$109,353 as of December 31, 2021. Bad debt expense was \$0 for the year ended December 31, 2021. The allowance for doubtful accounts was \$0 as of December 31, 2021.

Note D – Promises to Give

Promises to give are unconditional promises to pay a certain amount and totaled \$614,641 as of December 31, 2021. All promises to give are collectible within one year from December 31, 2021. Management evaluates the collectability of receivables and records an allowance for estimated uncollectible amounts. The Center recorded no provision for uncollectible promises to give as of December 31, 2021.

Note E – Dorchester County Referendum

Dorchester County provides the Center with funding from the County's tax levies. This funding is subject to approval by the Dorchester County Council each year and included in the annual budget. The receivable for these funds is included in the "Promises to Give" asset category, and the revenue is separately stated.

Note F - Credit Risk

The Center maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and management believes the Center is not exposed to any significant credit risk on cash and cash equivalents.

Note G – Property and Equipment, Net

Property and equipment consisted of the following at December 31, 2021:

Depreciable As

Buildings and improvements	\$	2,064,101
Office equipment	•	86,570
Computer equipment		86,989
Furniture and fixtures		131,386
Medical equipment		74,033
Total Depreciable Assets		2,443,079
Less: accumulated depreciation		(927,075)
Total Depreciable Assets, Net		1,516,004
Non-Depreciable Assets:		
Land		450,435
Total Non-Depreciable Assets		450,435
Total Property and Equipment, Net	\$	1,966,439

Depreciation expense for the year ended December 31, 2021 totaled \$77,206.

Note H - Related Party Transactions

The Center's Board Members or affiliated companies of Board Members contributed a total of \$73,528 for the year ended December 31, 2021.

The Center conducted business with a company that was owned by a Board Member to provide repairs and maintenance services for the Center. Payments made to this vendor totaled \$8,685 for the year ended December 31, 2021.

The Center conducted business with a company that was owned by a Board Member for legal services related to the Center's progam services. Payments made to this vendor totaled \$12,700 for the year ended December 31, 2021.

Note I – Line of Credit

The Center maintains an unsecured \$100,000 line of credit agreement with a bank to meet the Center's working capital needs. The line of credit agreement matures on July 30, 2023. Any borrowings would bear interest at 5%, interest would be payable monthly, and any borrowings would be due at the annual maturity date. The Center has no borrowings on this line of credit as of December 31, 2021.

Note J – Net Assets

The Center's net assets with donor restrictions are restricted for the following purposes at December 31, 2021:

Subject to Purpose Restrictions Capital campaign/long-term facilities maintenance Clinical services	\$ 28,364 5,190
Subtotal	 33,554
Subject to Time Restrictions Dorchester County referendum Clinical services	726,165 19,840
Subtotal	746,005
Total	\$ 779,559

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors. Releases from restrictions are as follows for the year ended December 31, 2021:

Subject to Purpose Restrictions	
Clinical services	\$ 40,536
Community programs	16,328
Community outreach	1,270
Other	3,011
Subtotal	61,145
Subject to Time Restrictions	
Dorchester County referendum	650,000
Clinical services	39,680
Subtotal	689,680
Total	\$ 750,825

The Center's net assets without donor restrictions at December 31, 2021 are as follows:

Undesignated	\$ 2,438,416
Board designated for long-term facilities maintenance	 350,000
	\$ 2,788,416

Note K – Defined Contribution Retirement Plan

The Center has a defined contribution retirement plan covering substantially all of its employees. The Center may make a discretionary contribution to the plan each year (subject to prescribed limitations). The Center's contributions totaled approximately \$7,360 for the year ended December 31, 2021.

Note L - Liquidity and Availability of Financial Assets

The Center's working capital and cash flows have seasonal variations during the year attributable to the timing of revenue and support. To manage liquidity, the Center evaluates cash on a regular basis as part of the monthly review of the internal financial statements, and estimates cash needs based on budgeted and current expenses. As part of its liquidity plan, excess cash is invested in short-term investments, such as money market accounts. The Center operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Additionally, the Center's Board has designated a portion of its unrestricted resources for the long-term maintenance of its facilities. These funds are intended to be invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. The Center also maintains a line-of-credit of \$100,000 with a bank that can be used to supplement cash flows when needed. See Note I for further description of the line of credit.

The following reflects the Center's financial assets as of the date of the Statement of Financial Position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

Cash and cash equivalents	\$ 890,318
Accounts receivable	11,600
Grants receivable	109,353
Promises to give	614,641
Total Financial Assets	 1,625,912
Less: amounts not available to be used within one year:	
Net assets with donor restrictions	(779,559)
Add back: net assets with purpose or time restrictions to be	
met within one year	751,195
Quasi-endowment established by the Board for	
long-term maintenance of facilities	 (350,000)
Total amounts not available to be used within one year	 (378,364)
Total Financial Assets Available to Meet Cash Needs for	
Expenditures Within One Year	\$ 1,247,548

Note M – Subsequent Events

Management has evaluated events through the date which the financial statements were available to be issued.

Effective June 2022, the Center entered into an agreement with a vendor to remodel and repair the front of the building at an estimated total cost of \$372,915. The Board of Directors approved funding the majority of the remodel and the repairs with \$350,000 the Board had designated for long-term facilities maintenance. The residual balance is to be paid with the Center's 2022 repair and maintenance budget and the remaining donor-restricted capital campaign funds.