

**Children in Crisis in Dorchester County, Inc.
dba
Dorchester Children's Center
Report on Financial Statements
Year Ended December 31, 2016**

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Children in Crisis in Dorchester County, Inc.
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December 31, 2016

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Independent Auditors' Report

Board of Directors
Children in Crisis in Dorchester County, Inc.
Summerville, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Children in Crisis in Dorchester County, Inc., which comprise the statement of financial position as of December 31, 2016, 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 auditor's 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 entity'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 entity'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 Children in Crisis in Dorchester County, Inc. as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McCay Kiddy LLC

Mount Pleasant, South Carolina
August 7, 2017

Children in Crisis in Dorchester County, Inc.
Statement of Financial Position
December 31, 2016

Assets

Current Assets

Cash and cash equivalents	\$	286,420
Accounts receivable (net)		12,586
Grants receivable		89,264
Pledges receivable (net of allowance for uncollectibles)		505,675
Prepaid expenses		5,978
		899,923

Non-current Assets

Pledges receivable (net of discount and allowance for uncollectibles)		8,223
Land		300,000
Property and equipment (net of accumulated depreciation)		1,744,903
		2,053,126
Total Non-Current Assets		2,053,126
Total Assets	\$	2,953,049

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	23,410
Accrued payroll and liabilities		20,452
Note payable		12,282
		56,144

Non-Current Liabilities

Note payable		333,862
		333,862
Total Non-Current Liabilities		333,862
Total Liabilities		390,006

Net assets

Unrestricted net assets		1,916,611
Temporarily restricted net assets		646,432
		2,563,043
Total Net Assets		2,563,043
Total Liabilities and Net Assets	\$	2,953,049

Children in Crisis in Dorchester County, Inc.
Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions	\$ 171,396	\$ 3,470	\$ 174,866
Special events and fundraising	125,954	-	125,954
Less: cost of direct benefits to donor	(17,066)	-	(17,066)
Dorchester County referendum	35,069	530,000	565,069
Grants	129,563	193,900	323,463
Program services	23,690	-	23,690
Investment income	657	-	657
Miscellaneous revenue	514	-	514
Net assets released from restrictions	705,609	(705,609)	-
Total Support and Revenue	<u>1,175,386</u>	<u>21,761</u>	<u>1,197,147</u>
Expenses			
Program services	1,156,779	-	1,156,779
Management and general	113,092	-	113,092
Fundraising	107,712	-	107,712
Total Expenses	<u>1,377,583</u>	<u>-</u>	<u>1,377,583</u>
Loss on disposal of fixed assets	2,237	-	2,237
Total Expenses and Losses	<u>1,379,820</u>	<u>-</u>	<u>1,379,820</u>
Change in Net Assets	(204,434)	21,761	(182,673)
Beginning Net Assets, restated	<u>2,121,045</u>	<u>624,671</u>	<u>2,745,716</u>
Ending Net Assets	<u>\$ 1,916,611</u>	<u>\$ 646,432</u>	<u>\$ 2,563,043</u>

Children in Crisis in Dorchester County, Inc.
Statement of Cash Flows
Year Ended December 31, 2016

Cash Flows from Operating Activities:

Change in net assets	\$	(182,673)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt		12,480
Depreciation		112,064
Loss on disposal of fixed assets		2,237
Realized loss on sale of investments		449
Change in:		
Accounts receivable		(1,042)
Grants receivable		16,915
Pledges receivable		75,991
Prepaid expenses		(297)
Accounts payable		3,445
Accrued payroll and liabilities		2,035
Net cash provided by operating activities		41,604

Cash Flows from Investing Activities:

Purchase of property and equipment		(58,710)
Proceeds from sale of investments		21,294
Net cash used in investing activities		(37,416)

Cash Flows from Financing Activities:

Principal payments on note payable		(11,234)
Net cash used in financing activities		(11,234)
Net Decrease in Cash		(7,046)
Cash and Cash Equivalents, Beginning		293,466
Cash and Cash Equivalents, Ending	\$	286,420

Supplemental Disclosure:

Cash paid for interest	\$	16,038
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Children in Crisis in Dorchester County, Inc.
Notes to Financial Statements

Note A – Nature of Operations

Children in Crisis in Dorchester County, Inc. (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, and accordingly reflect all significant receivables, payables, and other liabilities. Under this basis, revenue is recognized when earned and expenditures are recognized when incurred.

Basis of Presentation

The Center's financial statement presentation follows the recommendations of the Financial Accounting Standards Board 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 classification of net assets and changes in net assets as unrestricted, temporarily restricted, and permanently restricted as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to explicit or implicit donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 in the Statement of Activities as net assets released from restrictions.

Use of Estimates and Assumptions

The preparation of financial statements, in conformity with generally accepted accounting principles, 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.

Pledges

Unconditional pledges are recognized as receivables and revenue or gains in the period the pledge is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges are recognized only when the conditions on which they depend are substantially met, and the promises become unconditional. Unconditional pledges 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.

Children in Crisis in Dorchester County, Inc.
Notes to Financial Statements

The Center uses the allowance method to determine uncollectible pledges 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 received are recorded in accordance with ASC 958 – 605, *Not-For-Profit Entities – Revenue Recognition*. These standards require that contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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 in the Statement of Activities as net assets released from restrictions.

Functional Allocation of Expenses

Expenses are primarily charged to program services, management and general and fundraising expenses based on direct expenses incurred. Expenses not directly chargeable are allocated to the categories of program services, management and general and fundraising based upon management's estimates. Management reviews and adjusts its methodology for these estimates periodically.

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 2016. The Center qualifies for the charitable contribution deduction under Section 170(b)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Financial Accounting Standards Board (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. Generally, items costing \$1,500 or more are capitalized; lesser amounts for property and equipment are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. Management periodically determines if any property and equipment is impaired and removes fully depreciated assets from the accounts. Useful lives of property and equipment are as follows:

Furniture and equipment	5 - 10 years
Buildings and improvements	10 - 40 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 unrestricted net assets 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 temporarily restricted net assets to unrestricted net assets at that time. Some grantors may retain a reversionary interest in specific assets if the mission of the Center changes.

Children in Crisis in Dorchester County, Inc.
Notes to Financial Statements

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 up to 80 hours of paid time off can be carried forward at year-end, but must be used within the first six months of the next fiscal year. 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.

Advertising Expenses

The Center expenses advertising costs as they are incurred. Advertising and marketing expenses totaled \$6,077 for the year ended December 31, 2016.

Note C – Pledges Receivable

Pledges receivable are unconditional promises to pay a certain amount and consist of the following at December 31, 2016:

Pledges Receivable	\$ 525,626
Less:	
Allowance for uncollectible pledges	(8,400)
Discount on noncurrent pledges	<u>(3,328)</u>
Pledges Receivable, net	<u>\$ 513,898</u>
Amounts receivable in:	
2017	\$ 514,075
2018	10,357
2019	<u>1,194</u>
Total Pledges Receivable	<u>\$ 525,626</u>

Management evaluates the collectability of receivables and records an allowance for estimated uncollectible amounts. The Center recorded a provision for uncollectible pledges of \$8,400 at December 31, 2016.

Note D – Conditional Pledges

In November 2014, Roper Saint Francis Physician's Endowment pledged to match cash or pledge contributions for \$500,000. The purpose of the funds is for the expansion and renovation of the building and property at 303 East Richardson Avenue. The grant period is 36 months: November 19, 2014 through December 1, 2017.

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.

Children in Crisis in Dorchester County, Inc.
Notes to Financial Statements

Note F – Credit Risk

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2016, all of the Center's accounts were fully covered by the Federal Deposit Insurance Corporation limits.

Note G – Property and Equipment

Property and equipment consisted of the following at December 31, 2016:

Depreciable Assets:	
Buildings and improvements	\$ 1,865,046
Office equipment	170,529
Computer equipment	81,666
Furniture and fixtures	138,269
Medical equipment	<u>14,329</u>
Total Depreciable Assets	2,269,839
Less: accumulated depreciation	<u>(524,936)</u>
Total Depreciable Assets, Net	<u>1,744,903</u>
 Non-Depreciable Assets:	
Land	<u>300,000</u>
Total Non-Depreciable Assets	<u>300,000</u>
Total Property and Equipment, Net	<u>\$ 2,044,903</u>

Depreciation expense for the year ended December 31, 2016 totaled \$112,064.

Note H – Related Party Transactions

The Organization's board members contributed a total of \$19,824 for the year ended December 31, 2016.

The outstanding balance of promises to give from its Board Members and employees was \$23,750 for the year ended December 31, 2016.

The Center conducted business with a company that was owned by a Board Member for the expansion and renovation of current facilities. Payments made to this vendor totaled \$15,307 for the year ended December 31, 2016.

The Center conducted business with a company that was owned by a Board Member for the Center's landscaping services. Payments made to this vendor totaled \$19,334 for the year ended December 31, 2016.

The Center conducted business with a company that was owned by a Board Member for the Center's information technology support. Payments made to this vendor totaled \$33,619 for the year ended December 31, 2016.

Children in Crisis in Dorchester County, Inc.
Notes to Financial Statements

Note I – Line of Credit and Financing Arrangements

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 August 5, 2017. Any borrowings would bear interest at 6%, interest would be payable monthly, and any borrowings would be due at the annual maturity date. The Center has not borrowed on this line of credit for the year ended December 31, 2016.

Note J – Note Payable

In October 2015, the Center signed a promissory note with a bank to meet the Center's capital expansion needs. The note payable requires consecutive monthly payments of \$2,256 which include principal and interest at 4.35% over a 15 year term and one balloon payment of \$123,513 upon maturity. The note payable will mature in October 2030.

The Center has the following note payable as of December 31, 2016:

Total note payable	\$ 346,144
Less: current portion of note payable	<u>(12,282)</u>
Total note payable less current portion	<u><u>\$ 333,862</u></u>

Principal payments for the next five years are as follows:

December 31:	
2017	\$ 12,282
2018	12,827
2019	13,397
2020	13,991
2021	14,612
Thereafter	<u>279,035</u>
	<u><u>\$ 346,144</u></u>

Note K – Temporarily Restricted Net Assets

The Organization has recognized revenue related to contributions that are restricted as to purpose or the expiration of time. The following is a detail of the nature of the restrictions on temporarily restricted net assets at December 31, 2016:

Clinical services	\$ 107,580
Christmas program	6,952
For subsequent periods	530,000
Other	<u>1,900</u>
Total	<u><u>\$ 646,432</u></u>

Children in Crisis in Dorchester County, Inc.
Notes to Financial Statements

Released from restrictions for the year ended December 31, 2016 is as follows:

Clinical services	\$ 135,030
Capital campaign	41,788
Christmas program	1,474
For subsequent periods	522,317
Other	<u>5,000</u>
Total	<u>\$ 705,609</u>

Note L – 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 \$3,853 for the year ended December 31, 2016.

Note M – Special Event Revenue and Expenses

A summary of the special event revenues and expenses for the year ended December 31, 2016 are as follows:

Revenues	
Kitchen tour	\$ 92,479
Golf tournament	<u>33,475</u>
Total revenues	<u>125,954</u>
Less costs of direct benefit to donors:	
Kitchen tour	12,811
Golf tournament	<u>4,255</u>
Total costs of direct benefit to donors	<u>17,066</u>
Special event revenues, net	<u>\$ 108,888</u>

Note N – Prior Period Adjustment

Temporarily restricted net assets at January 1, 2016 has been adjusted for a pledge receivable from the Dorchester County referendum that was not recorded in the prior year. The correction reduced the current year revenue by \$492,172, increased beginning temporarily restricted net assets by \$522,317, and decreased unrestricted net assets by \$30,145.

Note O – Subsequent Events

Management has evaluated events through the date which the financial statements were available to be issued. Based upon this evaluation, there were no material adjustment to these financial statements