

Charleston Promise Neighborhood

Report on Financial Statements

Year Ended June 30, 2016

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Charleston Promise Neighborhood Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1 – 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 12

Independent Auditors' Report

To the Board of Directors
Charleston Promise Neighborhood
Charleston, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Charleston Promise Neighborhood, which comprise the statement of financial position as of June 30, 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 Charleston Promise Neighborhood as of June 30, 2016, 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.

McCay, Kiddy & Associates, LLC

Mount Pleasant, South Carolina

October 14, 2016

**Charleston Promise Neighborhood
Statement of Financial Position
June 30, 2016**

Assets

Current Assets

Cash	\$ 1,187,989
Promises to give, net	100,074
Federal grants receivable	<u>74,345</u>
Total current assets	<u>1,362,408</u>

Noncurrent Assets

Furniture and equipment	4,086
Less: accumulated depreciation	<u>(4,086)</u>
Net furniture and equipment	<u>-</u>
Total Assets	<u>\$ 1,362,408</u>

Liabilities and Net Assets

Current Liabilities

Accounts payable	<u>\$ 99,721</u>
Total current liabilities	<u>99,721</u>

Net Assets

Unrestricted	1,162,613
Temporarily restricted	<u>100,074</u>
Total net assets	<u>1,262,687</u>
Total Liabilities and Net Assets	<u>\$ 1,362,408</u>

**Charleston Promise Neighborhood
Statement of Activities
Year Ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions	\$ 653,493	\$ -	\$ 653,493
Government grants	712,177	-	712,177
Interest	2,032	-	2,032
In-kind contributions	5,296	-	5,296
Net assets released from restrictions	162,597	(162,597)	-
Total revenue and support	1,535,595	(162,597)	1,372,998
Expenses			
Program services	1,074,086	-	1,074,086
Management and general	101,585	-	101,585
Fundraising	86,452	-	86,452
Total expenses	1,262,123	-	1,262,123
Change in net assets	273,472	(162,597)	110,875
Net assets at beginning of year	889,141	262,671	1,151,812
Net Assets at End of Year	\$ 1,162,613	\$ 100,074	\$ 1,262,687

**Charleston Promise Neighborhood
Statement of Functional Expenses
Year Ended June 30, 2016**

Functional Expenses	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 284,209	\$ 66,298	\$ 70,673	\$ 421,180
Employee benefits	58,447	13,633	6,203	78,283
Other direct program expenses	62,328	-	813	63,141
Contracted services	547,881	1,947	-	549,828
Lease expense	26,609	5,319	148	32,076
Office expense	6,206	141	2,396	8,743
Utilities	5,020	1,371	-	6,391
Technology	2,365	3,267	-	5,632
Professional fees	9,406	2,574	-	11,980
Insurance	2,331	543	579	3,453
Meeting and training	21,946	3,929	894	26,769
Travel	41,342	502	372	42,216
Printing and postage	1,530	89	316	1,935
Dues and subscriptions	-	620	220	840
Marketing	14	63	2,729	2,806
Bad debt expense	4,032	939	1,002	5,973
Miscellaneous	420	350	107	877
Total Functional Expenses	<u>\$ 1,074,086</u>	<u>\$ 101,585</u>	<u>\$ 86,452</u>	<u>\$ 1,262,123</u>

**Charleston Promise Neighborhood
Statement of Cash Flows
Year Ended June 30, 2016**

Cash Flow from Operating Activities

Change in net assets	\$ 110,875
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in:	
Promises to give	42,426
Grants receivable	140,568
Accounts payable	<u>(143,343)</u>
Net cash provided by operating activities	<u>150,526</u>
Net increase in cash	150,526
Cash at beginning of year	<u>1,037,463</u>
Cash at End of Year	<u><u>\$ 1,187,989</u></u>

Charleston Promise Neighborhood

Notes to Financial Statements

Note A – Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Charleston Promise Neighborhood (the “Organization”) is a non-profit organization that was established on May 12, 2010. The Organization aims to break the cycle of poverty affecting parts of Charleston’s East Side, Neck, and North Charleston areas by improving parenting, education, employment, housing, healthcare, and community revitalization. The Coastal Community Foundation acted as the fiscal agent for the Organization from the inception date until December 31, 2011.

Basis of Accounting

The Organization’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.

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. Actual results could differ from those estimates.

Basis of Presentation

The Organization’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*. 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 Organization and/or the passage of time.

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

Public Support and Revenue

Support, such as grants and contributions, that is restricted by the donor or grantor are 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 or grantor 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. The Organization did not receive any permanently restricted contributions or assets in fiscal year 2016.

Charleston Promise Neighborhood Notes to Financial Statements

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with specific programs or support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical methods.

Income Tax Status

The Organization is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes, unless income is generated from unrelated business activities. There is no unrelated business income for 2016. However, like all organizations, this organization is subject to U.S. federal and state income tax examinations for 2012, 2013 and 2014 tax years. The Organization 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).

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Grants Receivable and Allowance for Doubtful Accounts

Grants receivable consist mainly of amounts owed from governmental agencies. The Organization has not experienced any uncollectible receivables in past years. The Organization uses the allowance method to determine uncollectible grants receivable when deemed necessary. The allowance is based on prior years' experience and management's analysis of specific accounts. It is the Organization's policy to write off grants receivable when the receivable has been deemed uncollectible. There was no allowance recorded as of June 30, 2016.

Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period the promise 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 their net realizable value. The Organization 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. There was no allowance recorded as of June 30, 2016.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Improvements which materially add to the value of related assets or materially extend the useful life of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

Depreciation is provided for over the estimated service lives of the respective assets on the straight-line method. A summary of depreciable lives follows:

Furniture and equipment	3 – 5 years
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Charleston Promise Neighborhood Notes to Financial Statements

Donated Services

Donated services are recognized as contributions, if the services (a) create or enhance non-financial assets or (b) require specialized skills and are performed by people with those skills, and (c) would otherwise be purchased by Charleston Promise Neighborhood.

During the fiscal year ended June 30, 2016, the Organization did not receive any contributed services meeting the requirements for recognition in the financial statements. Many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Advertising and Marketing Expenses

The Organization reports advertising and marketing costs as incurred. Advertising and marketing totaled \$2,806 for the year ended June 30, 2016.

Note B – Description of Programs

Charleston Promise Neighborhood (CPN), a 501(c)(3) non-profit organization incorporated in May 2010, represents the unified efforts of four local governments to improve the lives of 22,000 residents who live in a 5.6 square mile area of Charleston's Upper Peninsula called "The Neck." Prior to 501(c)(3) status, stakeholders performed 18 months of research on best practices, resident focus groups, and a first-hand tour of Harlem Children's Zone, a nonprofit touted as "one of the most ambitious social-policy experiments of our time," as recognized by The New York Times. Since then, CPN has been charged by our community with an audacious goal of transforming the Neighborhood's capacity in six critical areas:

- **Education:** Neighborhood schools will be among the best in the district and the center of community.
- **Healthcare:** Children in our neighborhood schools will have access to high quality pediatric and preventive care.
- **Parent Engagement:** Parents will be the bridge between the schools and the Neighborhood.
- **Community Engagement:** Together, with residents, we will realize bold visions for our common future.
- **Housing*:** Options for affordable and safe housing will be widely available.
- **Employment*:** Residents will have viable job opportunities for improving quality of life and our community's capacity.

**Housing and Employment are future CPN endeavors.*

CPN's vision and purpose is to ensure Charleston Promise Neighborhood is a place where residents are engaged in their community and every child is on track to graduate high school with the abilities necessary to succeed in college, the military or the workforce.

CPN's first priority is to improve the future outcomes of Neighborhood children by closing the achievement and opportunity gaps that exist within Neighborhood schools. As national research indicates, strong schools are integral to the complex recipe for long-term community change. The strength of CPN's relationship with Charleston County School District (CCSD) allows CPN to fast-track initiatives within four CCSD Neighborhood schools with high concentrations of children living in poverty: James Simons

Charleston Promise Neighborhood Notes to Financial Statements

Elementary School, Sanders-Clyde Creative Arts School, Mary Ford Elementary School, and Chicora School of Communications. Beginning in 2014, CPN also supports Burns Elementary through a school-based health center.

Closing Opportunity and Achievement Gaps in Four Title 1 Schools

CPN began working in four Title 1 Charleston County schools in 2010-11. Over the years, CPN has developed a strong relationship and partnership with CCSD to rapidly close the opportunity and achievement gaps typically experienced by children attending Title 1 schools.

Due to the extensive needs of students and their families in CPN Neighborhood schools and in CPN's efforts to close the opportunity gaps that our students experience, CPN expanded its partnership with CCSD to provide high quality Expanded Learning Time (ELT) programming at Sanders-Clyde Elementary/Middle School, Mary Ford Elementary and Chicora Elementary Schools during the 2015-16 school year. Students participating in ELT programming receive homework assistance, tutoring support, and access to enrichment activities.

Providing Access to High Quality Pediatric Care

KidsWell School-Based Health Centers (SBHC)
A Medical University of South Carolina Collaboration

KidsWell SBHC strategic goals are simple: provide access to quality pediatric care, enroll vulnerable populations with limited or no insurance, and ensure each child utilizes the services provided. Pediatric services provided include wellness checks, preventive care, chronic care, sick visits, behavioral assessments, and prescriptions written on-site at the child's school. Each child can be seen during school hours alleviating a parent's need to take time off of work or barriers to transportation. Since 2010, CPN has 1) established five (5) SBHCs, 2) provided access to school-based health care for over 2,300 students, 3) substantially increased enrollment and usage each year 4) provided care to over 1200 children and 5) completed over 2,500 clinic visits.

Engaging Residents and Parents in Neighborhood Transformation

A Resident-Led Collaboration

Ensuring Neighborhood resident voices have a seat at the decision-making table is a priority of CPN. The CPN Community Engagement Council, a resident council that has been in existence since 2010, meets on a monthly basis with residents, teachers, community leaders, guest speakers and CPN staff. Meetings are used for planning resident engagement strategies, information gathering and sharing, and hosting discussion on topics that are a priority to residents. The CEC has launched programs designed to provide leadership development training for residents and middle school students, in addition to bringing 250+ neighborhood residents together for fellowship and information-sharing.

In 2015, CPN began hosting a series of Family Engagement Nights to include parents in our students' learning. We started with Family Science Nights, a series of five evenings led by Boeing engineers, during which families worked together to complete various science projects which represented key parts of a plane. We also hosted Family Literacy Night, the Social Studies Bowl, and others.

Charleston Promise Neighborhood Notes to Financial Statements

Positively Impacting Children, Families, and Schools

CPN schools enroll an estimated 1,700 children. CPN sponsored programs and initiatives within the four schools not only provide direct services to our young scholars, but educators, school leaders and families also benefit. Over 230 educators and 13 school leaders receive professional development opportunities that are aimed at transforming school culture and shifting practices from teaching our children to *ensuring our children are learning*. Additionally, programming is facilitated at each school to improve parent-to-school engagement for the sake of each child's educational and social/emotional development.

Note C – Concentration of Economic Risk

Financial instruments that potentially subject the Organization 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. At June 30, 2016, the Organization had approximately \$408,962 in excess of FDIC insured limits.

Note D – Promises to Give

The Organization has received unconditional promises to give and the amounts still owed are recorded at their net realizable value based on the nature of the promise and expected receipt date.

As of June 30, 2016, promises to give are \$100,074.

Based on the terms of the pledges, the unconditional promises to give are due as follows:

Promises to give due in less than 1 year	\$ 37,574
Promises to give due in 1 to 4 years	<u>62,500</u>
Total promises to give	<u>100,074</u>
Less: allowance for uncollectible promises	<u>-</u>
Total promises to give, net	<u><u>\$ 100,074</u></u>

Note E – Operating Lease

The Organization leases office space under a five (5) year cancelable lease agreement dated August 15, 2013 with the following monthly payment schedule.

August 15, 2013 – August 31, 2014: \$2,296
September 1, 2014 – August 31, 2015: \$2,342
September 1, 2015 – August 31, 2016: \$2,389
September 1, 2016 – August 31, 2017: \$2,437
September 1, 2017 – August 14, 2018: \$2,486

Charleston Promise Neighborhood
Notes to Financial Statements

The Organization leases office equipment under a four (4) year noncancelable lease agreement dated May 28, 2015. The agreement calls for minimum monthly payment of \$129 beginning June 1, 2015.

Minimum future rental lease payments are as follows for the twelve month periods ended June 30:

2017	\$ 30,696
2018	31,282
2019	<u>6,520</u>
Total	<u>\$ 68,498</u>

Lease expense is \$32,077 for the year ended June 30, 2016.

Note F – Temporarily Restricted Net Assets

The Organization has recognized revenue related to contributions and grants that are restricted as to a purpose or the expiration of time. The following is a detail of the nature of the restrictions on temporarily restricted net assets at June 30, 2016:

Promises to give	<u>\$ 100,074</u>
	<u>\$ 100,074</u>

Releases from restrictions were \$162,597 for the year ended June 30, 2016.

Note G – In-Kind Support

In-kind support amounts were recorded as revenue with corresponding amounts recorded as technology and meeting expense. As of June 30, 2016, in-kind support was \$5,296.

Note H – Related Parties

The Organization's board members contributed a total of \$176,150 for the year ended June 30, 2016.

Note I – Subsequent Events

Management has evaluated subsequent events through the end of fieldwork, the date which the financial statements were available to be issued.