

CHARLESTON PROMISE NEIGHBORHOOD
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To The Audit Committee
Charleston Promise Neighborhood
Charleston, South Carolina

We have audited the accompanying financial statements of Charleston Promise Neighborhood which comprise the statement of financial position as of June 30, 2017, 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, 2017, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the beginning net assets have been restated to correct a prior period misstatement. Our opinion is not modified with respect to this matter.

Hubbard Davis CPAs, LLC

Mount Pleasant, South Carolina
August 10, 2017

CHARLESTON PROMISE NEIGHBORHOOD
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

Assets	
Current Assets	
Cash	\$ 1,244,749
Promises to give	52,499
Grants receivable	<u>145,420</u>
Total current assets	<u>1,442,668</u>
Total Assets	\$ <u>1,442,668</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 188,750
Accrued payroll	<u>27,962</u>
Total liabilities	<u>216,712</u>
Net Assets	
Unrestricted	1,153,457
Temporarily restricted	<u>72,499</u>
Total net assets	<u>1,225,956</u>
Total Liabilities and Net Assets	\$ <u>1,442,668</u>

See accompanying notes.

**CHARLESTON PROMISE NEIGHBORHOOD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Contributions	\$ 468,585	\$ 30,000	\$ 498,585
Government grants	684,707	-	684,707
In-kind contributions	13,366	-	13,366
Interest	2,471	-	2,471
Net assets released from restriction	57,575	(57,575)	-
Total support and revenue	1,226,704	(27,575)	1,199,129
EXPENSES			
Program expenses	1,057,559	-	1,057,559
Management and general	126,704	-	126,704
Fundraising	94,532	-	94,532
Total expenses	1,278,795	-	1,278,795
CHANGE IN NET ASSETS	(52,091)	(27,575)	(79,666)
NET ASSETS, beginning of the year as previously reported	1,162,613	100,074	1,262,687
Prior period adjustment, see Note 9	42,935	-	42,935
NET ASSETS, end of the year	\$ 1,153,457	\$ 72,499	\$ 1,225,956

See accompanying notes.

**CHARLESTON PROMISE NEIGHBORHOOD
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES				
Salaries	\$ 284,946	\$ 83,945	\$ 71,330	\$ 440,221
Employee benefits	36,225	9,646	343	46,214
Payroll taxes	<u>21,707</u>	<u>5,063</u>	<u>5,398</u>	<u>32,168</u>
Total compensation and related expenses	342,878	98,654	77,071	518,603
OTHER EXPENSES				
Contracted services	508,885	4,064	6,125	519,074
Other direct program expenses	117,236	947	-	118,183
Lease expense	23,630	5,510	-	29,140
Travel	23,209	611	119	23,939
Meeting and training	20,496	599	787	21,882
Professional fees	9,406	2,633	-	12,039
Miscellaneous	780	182	7,508	8,470
Utilities	5,039	1,467	-	6,506
Printing and postage	3,782	1,459	43	5,284
Office expense	669	2,745	647	4,061
Insurance	-	3,930	-	3,930
Technology	1,444	2,452	-	3,896
Marketing	65	-	1,745	1,810
Dues and subscriptions	40	500	460	1,000
Bank charges	-	951	-	951
Bad debt expense	<u>-</u>	<u>-</u>	<u>27</u>	<u>27</u>
Total expenses	<u>\$ 1,057,559</u>	<u>\$ 126,704</u>	<u>\$ 94,532</u>	<u>\$ 1,278,795</u>

See accompanying notes.

**CHARLESTON PROMISE NEIGHBORHOOD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

Cash Flows from Operating Activities	
Decrease in net assets	\$ (79,666)
(Increase) decrease in operating assets	
Promises to give	47,575
Grants receivable	(71,075)
Increase in operating liabilities	
Accounts payable	144,796
Accrued payroll	15,130
Net cash provided by operating activities	<u>56,760</u>
Net increase in cash	<u>56,760</u>
Beginning cash	<u>1,187,989</u>
Ending cash	<u><u>\$ 1,244,749</u></u>

See accompanying notes.

CHARLESTON PROMISE NEIGHBORHOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose of the Organization

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.

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 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.

**CHARLESTON PROMISE NEIGHBORHOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

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.

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.

Basis of Accounting

The Organization uses the accrual basis of accounting for the preparation of the financial statements. Accrual basis accounting is an accounting principle generally accepted in the United States of America which recognizes revenues when they are earned or billed, rather than when they are received, and expenses when they are incurred, rather than when they are paid.

CHARLESTON PROMISE NEIGHBORHOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in accordance with FASB Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205. 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 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.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. This includes cash in banks and money market accounts. The carrying amounts reported in the financial statements for cash and cash equivalents approximate those assets' fair values.

Grants Receivable and Allowance for Doubtful Accounts

Grants receivable consist mainly of amounts owed from government 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. Management believes grants receivable to be fully collectible and therefore there is no allowance as of June 30, 2017.

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 have been substantially met, and the promise becomes 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 is no allowance as of June 30, 2017.

CHARLESTON PROMISE NEIGHBORHOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Revenue Recognition

In accordance with standards FASB ASC 958-50, Accounting or Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donation. When a donor 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 restriction. It is the Organization's policy to record restricted contributions received and released in the same year as unrestricted support. The Organization did not have any permanently restricted contributions or assets as of the year ended June 30, 2017.

Expense Allocation

The costs of providing various programs and other activities have been summarized in the statement of activities. Accordingly, certain costs have been allocated among the program services, general and administration, and fundraising cost centers. The organization has not engaged in substantial fundraising, therefore does not have any costs associated with fundraising.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Organization is a nonprofit corporation status as described under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization may be subject to income taxes that are classified as unrelated business income. The Organization received the IRS determination on August 29, 2011.

Management has evaluated the tax positions of the Organization and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the year ended June 30, 2017. The Organization's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Fair value of financial instruments

The estimated fair values of the Organization's short-term financial investments, including cash, cash equivalents and receivables, arising in the ordinary course of business, approximate their individual carrying value due to their relatively short period of time between their origination and expected realization.

CHARLESTON PROMISE NEIGHBORHOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Compensated Absences

The Organization allows employees to accumulate unused personal leave benefits up to a maximum of 40 hours. Full-time employees earn leave based upon the number of hours in their regular work schedule and based upon length of service. This amount represents leave benefits that the employees may be entitled to receive upon retirement or voluntary severance of employment with proper notice.

Use of Estimates and Assumptions

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Materials and Services

Donated materials are included in contributions at their estimated fair value. Donated services are recognized as contributions, 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 Organization.

NOTE 2 - RISKS AND CONCENTRATIONS

The Organization maintains its cash and cash equivalents with various financial institutions. Cash guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2017. At June 30, 2017 the Organization had \$15,568 in unsecure cash.

The Organization received 50% all of its revenue during the year ended June 30, 2017 from three sources.

84% of the Organizations grants receivable is made up of a receivable from two sources.

NOTE 3 - 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, 2017, promises to give are \$52,499.

Promises to give are due as follows based on the terms of the promise:

Promises to give due in less than 1 year	\$ 37,500
Promises to give due in 1 to 5 years	10,000
Promises to give due in 5 or more years	4,999
Total promises to give	<u>\$ 52,499</u>

NOTE 4 - ADVERTISING EXPENSES

Advertising costs are expensed as incurred. Advertising and marketing expenses were \$1,810 for the year ended June 30, 2017.

**CHARLESTON PROMISE NEIGHBORHOOD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - IN KIND CONTRIBUTIONS

The Organization received in-kind contributions from various services and products, including donated program supplies. The recorded amount totals \$13,366 for the year ended June 30, 2017.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Organization's board and employees contributed a total of \$139,710 during the year ended June 30, 2017.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of June 30, 2017.

<u>Temp Restricted Purpose</u>	<u>Balance 6/30/16</u>	<u>Contributions and Receipts</u>	<u>Released from Restictions</u>	<u>Balance 6/30/17</u>
2017/2018 Expanded learning program	\$ -	\$ 20,000	\$ -	\$ 20,000
Time restricted promises to give	100,074	10,000	(57,575)	52,499
	<u>\$ 100,074</u>	<u>\$ 30,000</u>	<u>\$ (57,575)</u>	<u>\$ 72,499</u>

NOTE 8 - LEASE COMMITMENTS

The Organization leases office space under a five year non-cancelable lease agreement dated August 15, 2013. Monthly payments start at \$2,296 with a 2% annual increase beginning on September 1, 2014.

The Organization has an operating lease obligation for office equipment under a four year lease dated May 28, 2015. Minimum monthly payments are \$129.

The future minimum lease payments due under these lease obligations are as follows for the year ended June 30:

2018	\$ 31,328
2019	<u>5,148</u>
	<u>\$ 36,476</u>

Total lease expense for the year ended June 30, 2017 was \$30,688.

NOTE 9 - RESTATEMENT OF BEGINNING NET ASSETS AS A RESULT OF A CORRECTION OF AN ERROR

The Organization's financial statements as of June 30, 2016, contained the following errors (1) overstatement of accounts payable for \$55,767 and (2) understatement of accrued payroll expense for \$12,832. Unrestricted net assets as of July 1, 2017 have been increased by \$42,935 to correct the aggregate effect of the errors.

NOTE 10 - SUBSEQUENT EVENTS

In accordance with ASC 855, the Organization evaluated subsequent events through the report date which was the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.