

CHILDREN'S TRUST OF SOUTH CAROLINA, INC.  
COLUMBIA, SOUTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2019

**CHILDREN’S TRUST OF SOUTH CAROLINA  
COLUMBIA, SOUTH CAROLINA**

**SEPTEMBER 30, 2019**

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To the Members of the Board of Directors of  
Children's Trust of South Carolina, Inc.

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Children's Trust of South Carolina, Inc. ("*Children's Trust*"), a component unit of the State of South Carolina, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Children's Trust's basic financial statements as listed in the table of contents.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Children's Trust 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 an express 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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's Trust as of September 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## OTHER MATTERS

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Children's Trust's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2020 on our consideration of Children's Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Children's Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Children's Trust's internal control over financial reporting and compliance.

Columbia, South Carolina  
January 7, 2020

*The Holla Group, P.A.*

## **CHILDREN'S TRUST OF SOUTH CAROLINA MANAGEMENT'S DISCUSSION AND ANALYSIS**

The discussion and analysis of Children's Trust of South Carolina, Inc. (Children's Trust) financial performance provides an overview of Children's Trust financial activities for the fiscal year ended September 30, 2019. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of Children's Trust financial activities.

### **Understanding Children's Trust**

Children's Trust mission is to strengthen families and lead communities to prevent child abuse and neglect in South Carolina. We serve as the statewide advocate for issues critical to our children, provide resources and technical support to our prevention partners, and create and share messages about prevention. We take a lead role in South Carolina to prevent child abuse, neglect and injury as the only statewide intermediary organization focused on prevention. This is done through effective programs, high-quality data and trend analysis, well-founded policy that champions strong families and empowered communities, partnerships at the state and local levels, and training that offers child-serving professionals learning opportunities and the tools they need to help children and families in counties across the state.

We focus on six core areas to prevent child abuse and neglect.

1. *Prevention Services:* We provide funding and program support to local community organizations. We use established evidence-based program models that can be implemented with fidelity so that we can measure our effectiveness and better ensure results. We focus on two-generation strategies that work to build stronger families and keep children safe.
2. *Research and Evaluation:* We collect and study child, family, and community data so that we know how and where to target prevention efforts. Understanding child well-being trends is important because the insights gained enable us to focus on partnerships, policies, and programs that will lead to the greatest improvements. We also collect and study prevention program data so that we know what's effective and what's not. Understanding program data, including financial and process and outcome data, allows us to evaluate our prevention efforts to achieve our mission.
3. *Communications and Development:* We use various strategies and communication channels in a focused and measured approach to grow support in our efforts to prevent child abuse and neglect. We work to educate, advocate and solicit financial support for the work delivering on our mission, vision and 10-year target from current and potential donors, thought leaders, policymakers, child advocates, child-serving professionals, and families.
4. *Education and Professional Development:* We give child-serving professionals the tools they need to best work with families in preventing child abuse and neglect. We offer a diverse set of learning opportunities from statewide conferences to specialized sessions on focused curriculum.
5. *Advocacy and Policy:* Children's Trust is an advocate for child well-being. We work to improve the lives of children by educating policymakers, thought leaders, and child advocates on issues that impact children and families.

6. *Program Development and Partnership Convening*: Prevention is the work of many, and we are more effective when we work collaboratively, bringing together best practices, expertise, data and resources. No single individual, organization or government agency working alone can stop maltreatment and ensure that children are never injured. We have many key partners at the local and state level and often serve as the convening agent.

*Administration and Strategy*: In addition to the six core areas above, we also incur operating costs associated with providing services in the prevention of child abuse and neglect that are not directly attributable to a specific program or function.

### **Programs and Initiatives**

Children's Trust serves as the:

- 1) the state lead for the South Carolina Home Visiting Consortium (SCHVC), which convenes all home visiting program and model leads along with several other early childhood, comprehensive systems service providers;
- 2) the state affiliate for Prevent Child Abuse South Carolina;
- 3) the state affiliate for KIDS COUNT;
- 4) the lead for the state's Adverse Childhood Experiences Initiative.

**Maternal, Infant and Early Childhood Home Visiting (MIECHV)** is a federal grant led by Children's Trust in South Carolina coordinating the delivery of voluntary home visiting services. Home visiting models improve health, development, and early learning; promote prevention of child abuse and neglect; and provide support services for children and families. Children's Trust funds the following home visiting program models in South Carolina: Healthy Families America, Parents as Teachers, and Nurse-Family Partnership.

We partnered with 17 local organizations to serve parents and their infants in 43 counties. To ensure our partners have the skills they need to be successful, we provide robust professional development, such as our biennial Home Visiting Summit that was held in 2019.

**The Strengthening Families Program (SFP)** is an evidence-based program that works closely with families with children ages 6 to 11 to develop positive discipline practices, stay resilient in tough times, reduce conflict, improve communications and parenting skills, and assist children with social skills, relationships, and school performance. The program is designed to serve 12 families in a group setting over a 14-week period through local partners in settings that include community centers, schools and churches. SFP is a uniquely effective family skills training program because it involves the whole family participating in three separate classes on the same night once a week. The skills are then reinforced through weekly home practice assignments. SFP had an 83% graduation rate this year.

**Positive Parenting Program/Triple P** is a continuum of support. The Triple P system offers a suite of interventions of increasing intensity, ensuring flexibility to meet the needs of families and communities.

Triple P is designed to normalize the concept of seeking parenting support, give caregivers the confidence and skills to be self-sufficient and manage problems independently, and provide communities with population-level early interventions to prevent child maltreatment.

### **Key Highlights**

In our *home visiting* program, which is a service delivery strategy that works to improve the health and well-being of children and their families, there were 1,385 families/caregivers enrolled with 17,262 home visits completed across 43 counties and 17 funded sites.

The *Strengthening Families Program*, which builds communications and bonding skills between parents and their elementary school-age children over 14 weekly sessions, had 686 families and 1,023 children enrolled in 21 funded sites and 30 counties across the state.

There were 200 trainings with 6,336 attendees across the various programs and initiatives that included the biennial Home Visiting Summit and Prevention Conference.

As the intermediary on the Pay For Success initiative, \$1.6 million was received and distributed between partners.

We received \$400,694 in restricted and unrestricted donations as well as \$40,293 in in-kind donations. We also received community support of 23 volunteers who provided 75 hours of support.

Child Abuse Prevention Month saw 119 partners across the state participate in Child Abuse Prevention Month activities and awareness.

Children's Trust CEO Sue Williams was named one of five honorees of the Children's Bureau Champion Award at the 21st National Conference on Child Abuse and Neglect in Washington, D.C. in April 2019. In the inaugural year for the "promoting child and family well-being category," she was recognized for being a tireless advocate for children in South Carolina and at the national level.

Children's Trust hosted its Building Hope for Children Conference, bringing together more than 400 attendees who heard from Dr. Jerry Milner, the Honorable Glenda Hatchett, Dr. Robert Sege, and Rev. Darrell Armstrong.

The U.S. Health and Human Services' Office of Adolescent Health (OAH) published its Grantee Digest spring newsletter and featured the work of Children's Trust in the "Spotlighting Success" segment. The newsletter highlighted the Community Support for Young Parents program.

Children's Trust, in partnership with the Joint Citizens and Legislative Committee on Children, hosted its first Freshman Academy to brief newly-elected officials on children's issues in advance of the 2019 session of the S.C. General Assembly.

### **Understanding Children's Trust Financial Statements**

Children's Trust was established as an eleemosynary organization by the State of South Carolina and reports all assets and liabilities using the accrual basis of accounting, much like a private business entity. In

accordance with accounting principles generally accepted in the United States of America, this report consists of a series of financial statements, along with explanatory notes to the financial statements.

The most important relationship demonstrated within Children's Trust financial statements is the requirement that Children's Trust resources are used to stimulate a broad range of innovative child abuse and neglect prevention programs to meet the needs of South Carolina's children and keep them free from abuse and neglect.

## **Overview of the Financial Statements**

This discussion and analysis serve as an introduction to Children's Trust basic financial statements. Children's Trust basic financial statements consist of three components – government-wide financial statements, fund financial statements, and notes to the financial statements.

### **Governmentwide Financial Statements**

The governmentwide financial statements are designed to provide readers with a broad overview of Children's Trust finances, in a manner similar to a private-sector business. All activity of Children's Trust is presented in these statements as there are no component units that would be presented separately.

The statement of net position presents information on all of Children's Trust assets and liabilities with the difference between the two reported as net position. Over time increases or decreases in net position may serve as a useful indicator of the financial stability of Children's Trust. The statement of activities presents information showing revenues and expenses during the year and how Children's Trust net position changed during the most recent fiscal year as a result of the net of revenues and expenses.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As a component unit of the State of South Carolina ("the State"), Children's Trust is a legally separate organization that is presented as a discretely presented organization in the State's Comprehensive Annual Financial Report (CAFR).

Children's Trust uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, like other state and quasi-state agencies. Children's Trust is financially accountable to the State. The fund financial statements are provided to show Children's Trust financial accountability to the state and for inclusion in the State's CAFR.

### **Governmentwide Financial Analysis**

The following net position and statement of activities schedules are useful for understanding the governmentwide or fund financial statements. As noted in the schedule, net position increased by \$1,228,915 during the fiscal year 2019, and in fiscal year 2018, net position increased by 262,047. Current and other assets include investments of \$1,817,275, which are held with Charles Schwab in mutual funds, equities and money market accounts.

Assets and Liabilities (See notes of the financial statements)

	<u>2019</u>	<u>2018</u>
Current and other assets	\$7,481,931	\$7,720,936
Capital assets, less depreciation	17,256	22,019
Total assets	<u>7,499,187</u>	<u>7,742,955</u>
Current and other liabilities	2,809,046	4,281,171
Long-term liabilities	77,113	77,671
Total liabilities	<u>2,886,159</u>	<u>4,358,842</u>
Net position		
Invested in capital assets	17,256	22,019
Unrestricted	3,488,230	3,362,094
Restricted	1,107,542	0
Total net position	<u>\$4,613,028</u>	<u>\$3,384,113</u>

Children’s Trust capital assets include the purchase of a new server during the prior fiscal year for \$11,292 and audio conference equipment purchased fiscal year 2016 for \$21,358. A server purchased in 2012 for \$7,694 and a phone system purchased in fiscal year 2011 for \$10,477 are fully depreciated. The total accumulated depreciation is \$33,565 for a current value of \$17,256. All capital assets are depreciated over a seven-year period.

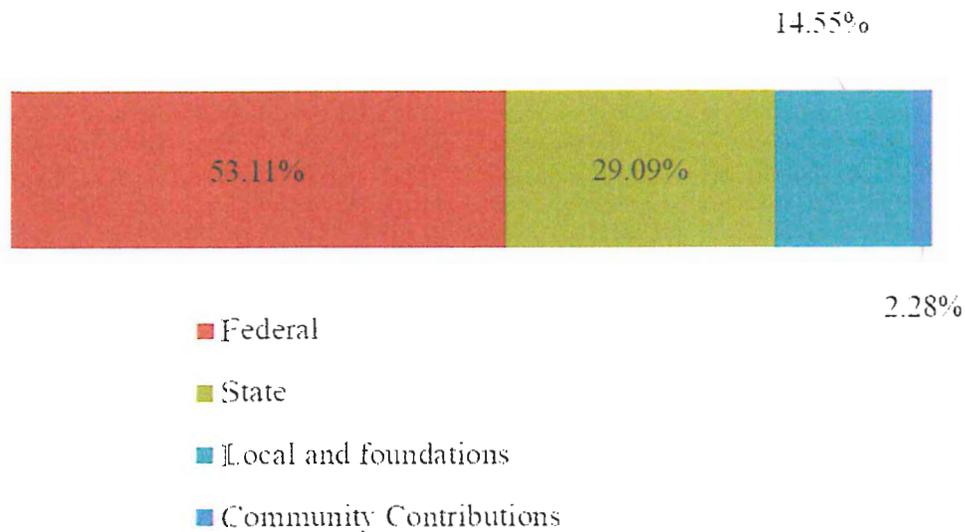
In the current fiscal year unearned revenue is \$192,156. Current and other liabilities in the prior fiscal year included unearned of \$1,806,862. Unearned revenue arises when funds are received in advance on an exchange transaction and are not recognized as revenue before revenue recognition criteria have been met. In prior fiscal years all grant funds received in advance were included in unearned as a liability, thereby considered exchange transactions. In the current fiscal year grant funds of \$1,107,542 received in advance are considered non-exchange and are included in revenue and restricted net position.

	<u>2019</u>	<u>2018</u>
REVENUES		
Program revenues		
Program specific operating grants		
Federal	\$9,343,242	\$10,210,257
State	5,117,086	4,214,382
Local and foundations	2,559,460	848,836
Contributions		
General Public	400,694	393,913
In-Kind	40,292	32,181
Program service		
Services and training	102,884	105,838
General revenues		
Investment earnings	29,376	58,021
Other	0	1,229
TOTAL REVENUES	<u>\$17,593,034</u>	<u>\$15,864,657</u>

\$1.1M of the local and foundations revenues is restricted in 2019. In 2018 the restricted revenues were included in liabilities.

Funds received from the state include an allocation from the State and from various contracts with state agencies as outlined in the related parties note in the financial statements (see note H.)

**FY19 Revenues\***



\*Revenues not shown have percentages less than 1%.

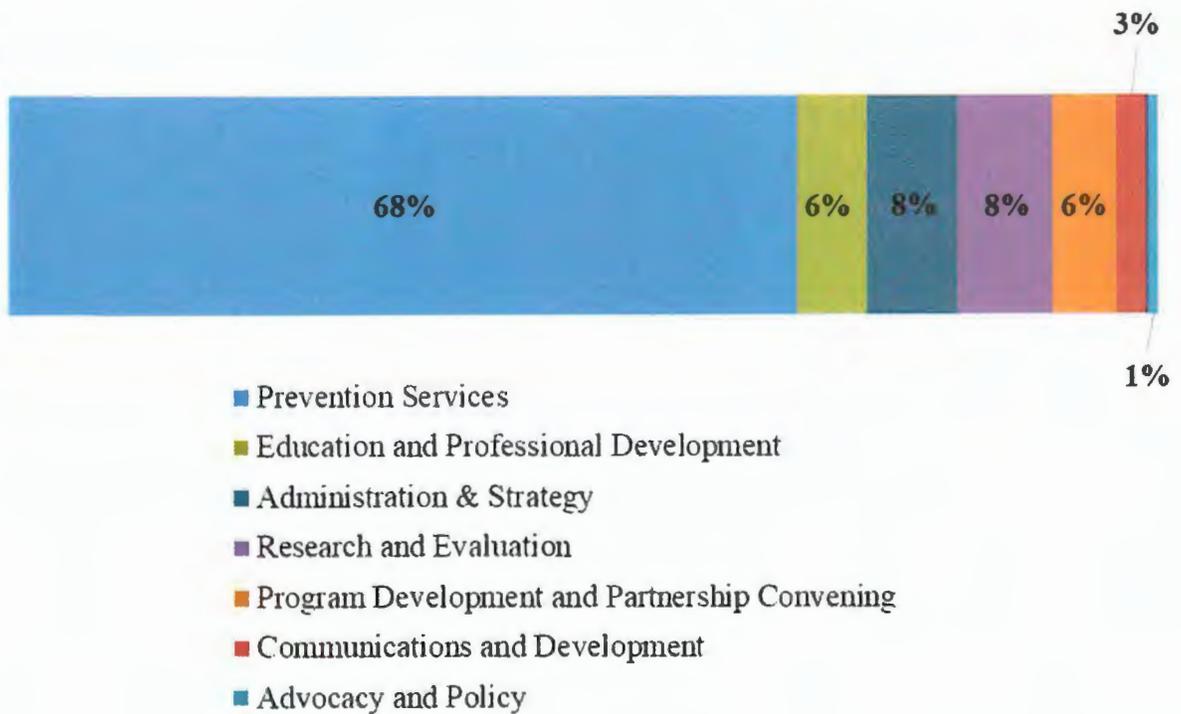
EXPENSES	2019	2018
Prevention Services	\$ 11,201,980	\$11,435,825
Communications and Development	467,144	351,759
Education and Professional Development	979,644	1,124,187
Research and Evaluation	1,358,344	846,343
Advocacy and Policy	160,336	158,973
Program Development and Partnership Convening	900,857	720,996
Administration & Strategy	1,295,814	964,527
<b>TOTAL EXPENSES</b>	<b>\$ 16,364,119</b>	<b>\$15,602,610</b>

Research and evaluation expenses increased in 2019 with the increase in activities and staff.

Program development and partnership convening increased with increase in expenses for the “Positive Parenting Program” otherwise referred to as Triple P.

Administration and strategy expenses increased with recognizing staff salaries to be in line with the indirect cost rate classification.

### FY19 EXPENSES



**NET ASSETS**

	<b><u>2019</u></b>	<b><u>2018</u></b>
Total revenue	\$ 17,593,034	\$ 15,864,657
Total expenses	16,364,119	15,602,610
Excess of revenues over expenses	1,228,915	262,047
Net assets beginning of year	3,384,113	3,122,066
Net assets at end of year	<b><u>\$ 4,613,028</u></b>	<b><u>\$ 3,384,113</u></b>
Net investment in capital assets	\$ 17,256	\$ 22,019
Unrestricted	3,488,230	3,362,094
Restricted	1,107,542	-
	<b><u>\$ 4,613,028</u></b>	<b><u>\$ 3,384,113</u></b>

**Contacting Children’s Trust Financial Management**

This financial report is designed to provide a general overview of Children’s Trust financial activity for all those interested in Children’s Trust operations. Children’s Trust also prepares an annual report that is available for viewing and download on the website at [schildren.org](http://schildren.org). Address questions concerning any of the information provided in this report or requests for additional financial information, to the Chief Financial Officer, Children’s Trust of South Carolina, 1330 Lady Street, Suite 310, Columbia SC 29201 or visit the website at <http://schildren.org/>.

## BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION  
 CHILDREN'S TRUST OF SOUTH CAROLINA, INC.  
 SEPTEMBER 30, 2019

ASSETS

Cash and cash equivalents	\$	1,404,651
Investments		1,780,030
Receivables:		
Grants		3,402,508
Related party		829,150
Contributions		7,071
Prepaid items		42,021
Property and equipment, net		17,256
Asset held for sale		16,500
Total Assets	\$	<u>7,499,187</u>

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$	1,809,322
Accrued liabilities		111,301
Due to related parties		696,267
Unearned revenue		192,156
Total Current Liabilities		<u>2,809,046</u>

Noncurrent Liabilities

Accrued compensated absences		77,113
Total Liabilities	\$	<u>2,886,159</u>

Net Position

Net investment in capital assets	\$	33,756
Restricted		1,107,542
Unrestricted		3,471,730
TOTAL NET POSITION	\$	<u>4,613,028</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES  
*CHILDREN'S TRUST OF SOUTH CAROLINA, INC.*  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

REVENUES

Program Revenues

Program specific operating grants

Federal \$ 9,343,242

State 5,117,086

Local and foundations 2,559,460

Contributions

General public 400,694

In-kind 40,292

Charges for services 102,884

General Revenues

Investment income 29,376

Total Revenues 17,593,034

EXPENSES

Current Operating

Prevention services 11,201,980

Communications and development 467,144

Education and professional development 979,644

Research and evaluation 1,358,344

Advocacy and policy 160,336

Program development and partnership convening 900,857

Administration and strategy 1,295,814

Total Expenses 16,364,119

CHANGE IN NET POSITION 1,228,915

Net position at beginning of year 3,384,113

NET POSITION AT END OF YEAR \$ 4,613,028

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET - GENERAL FUND  
 CHILDREN'S TRUST OF SOUTH CAROLINA, INC.  
 SEPTEMBER 30, 2019

ASSETS

Cash	\$	1,404,651
Investments		1,780,030
Receivables:		
Grants		3,402,508
Related party		829,150
Contributions		7,071
Prepaid items		42,021
Asset held for sale		16,500
TOTAL ASSETS	\$	<u>7,481,931</u>

LIABILITIES AND FUND BALANCES

Current Liabilities		
Accounts payable	\$	1,809,322
Accrued liabilities		111,301
Due to related parties		696,267
Unearned revenue		192,156
Total Liabilities		<u>2,809,046</u>
Fund Balances		
Nonspendable		58,521
Restricted		1,107,542
Unassigned		3,506,822
Total Fund Balances		<u>4,672,885</u>
TOTAL LIABILITIES AND FUND BALANCES	\$	<u>7,481,931</u>

RECONCILIATION OF THE BALANCE SHEET OF THE GENERAL FUND  
 TO THE STATEMENT OF NET POSITION

Total Fund Balances of the General Fund	\$	4,672,885
Amounts reported in the Statement of Net Position are different because:		
Capital assets, net of depreciation, are not current financial resources and are not included in the General Fund		17,256
Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the General Fund		(77,113)
TOTAL NET POSITION	\$	<u>4,613,028</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - GENERAL FUND  
CHILDREN'S TRUST OF SOUTH CAROLINA, INC.  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

REVENUES

Program Revenues		
Program specific operating grants		
Federal	\$	9,343,242
State		5,117,086
Local and foundations		2,559,460
Contributions		
General public		400,694
In-kind		40,292
Charges for services		102,884
General Revenues		
Investment income		29,376
	Total Revenues	<u>17,593,034</u>

EXPENDITURES

Current Operating		
Prevention services		11,201,980
Communications and development		467,144
Education and professional development		979,644
Research and evaluation		1,358,344
Advocacy and policy		160,336
Program development and partnership convening		900,857
Administration and strategy		1,290,493
	Total Expenditures	<u>16,358,798</u>

Excess of Revenues over Expenditures 1,234,236

Fund balance at beginning of year 3,438,649

FUND BALANCE AT END OF YEAR \$ 4,672,885

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF THE GENERAL FUND  
TO THE STATEMENT OF ACTIVITIES

Net change in fund balance \$ 1,234,236

Governmental funds report purchases of capital assets as expenditures.  
However, in the Statement of Activities, the costs of such assets is  
allocated over their useful lives and reported as depreciation expense.  
These reconciling items are as follows:

  Depreciation (4,763)

Some expenses recorded in the Statement of Activities do not require  
the use of current financial resources and, therefore, are not reported  
as expenditures in the General Fund. This is the increase in the liability  
for accrued compensated absences.

(558)

Net change in net position \$ 1,228,915

The accompanying notes are an integral part of these financial statements.

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
*CHILDREN'S TRUST OF SOUTH CAROLINA, INC.*  
SEPTEMBER 30, 2019

	<u>Pay for Success</u>
<b>ASSETS</b>	
Restricted cash and cash equivalents	\$ 7,553,282
<b>TOTAL ASSETS</b>	<u>\$ 7,553,282</u>
<b>LIABILITIES</b>	
Due to outside agencies	\$ 7,553,282
<b>TOTAL LIABILITIES</b>	<u>\$ 7,553,282</u>

The accompanying notes are an integral part of these financial statements.

**CHILDREN'S TRUST OF SOUTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Children's Trust of South Carolina, Inc. ("Children's Trust"), is authorized by Article 17, Chapter 7, Title 20, as amended, of the South Carolina Code of Laws. Children's Trust purpose is to provide resources to award grants and provide technical assistance to private not-for-profit organizations and qualified state agencies to stimulate a broad range of innovative child abuse and neglect prevention programs. State law provides that Children's Trust Board of Directors will, among other things, assess service needs and gaps, solicit proposals to address identified service needs, and establish criteria for awarding grants. Under contract to various state agencies, Children's Trust also provides information and training to parents and service providers about children's health and development and the detection and prevention of child maltreatment.

Children's Trust was incorporated on September 25, 1984 as a not-for-profit organization and has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

State law authorizes Children's Trust to receive gifts and bequests and also establishes Children's Trust as recipient of contributions made by South Carolina taxpayers by means of a check off on their annual individual income tax returns. The South Carolina individual income tax return form includes a blank which allows taxpayers to specify a contribution to Children's Trust of South Carolina for the purpose of supporting programs and services that strengthen families and promote a safe and stable environment for South Carolina's children. Additional funding for Children's Trust comes from government grants and contracts and contributions from individuals and businesses.

Children's Trust is governed by 17 members appointed by the Governor. Ten members serve at large and seven represent each of the State's congressional districts.

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, consists of the primary government and all of its component units. Component units are legally separate organizations for which a primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Children's Trust has no component units. However, Children's Trust is presented in the State of South Carolina Comprehensive Annual Financial Report as a discretely presented component unit. Generally, all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although Children's Trust operates autonomously, the Governor appoints the board members, and the state is able to impose its will on Children's Trust because the Governor has the authority to remove from office any person s/he appointed to a position.

Fiduciary funds are used to accounts for assets held by Children's Trust in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. The fiduciary funds are

**CHILDREN'S TRUST OF SOUTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pay For Success funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Basis of Presentation**

Financial statements for governments like that of Children's Trust are presented from two perspectives, the government-wide perspective and the fund perspective.

Government-wide financial statements (i.e., a statement of net position and a statement of activities) report information on all activities of Children's Trust using the economic resources measurement focus and the accrual basis of accounting. Under this perspective, net position is calculated based on information on all Children's Trust assets and liabilities, including any property and equipment and long-term debt. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

A statement of activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses, including depreciation of property and equipment, are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items which do not meet the definition of program revenues are reported as general revenues.

Children's Trust is a single program government and reports only one governmental fund, the general fund, which accounts for all financial resources of the government. Fund financial statements are provided for governmental funds which are groupings of accounts used to control resources that have been segregated for specific activities or objectives. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. An explanation of differences between the financial statements prepared using the government-wide perspective and the fund perspective accompanies the financial statements.

**CHILDREN'S TRUST OF SOUTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budget**

Children's Trust prepares an annual budget for planning purposes to help control costs and by using the budget as an internal spending plan to achieve goals and objectives. The board adopts a budget annually but is not legally required to do so.

**Deposits and Investments**

Children's Trust cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

**Receivables**

All receivables are shown net of an allowance for any that are uncollectible. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. Management has deemed that a valuation allowance is not necessary at September 30, 2019.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The largest portion of prepaid items consist of one-month health insurance premium paid to South Carolina Public Employee Benefit Authority ("SC PEBA").

**Capital Assets**

As of September 30, 2019, there are four capital assets included and reported in the applicable government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets are capitalized as projects are completed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Property and equipment are depreciated using the straight-line method over their estimated useful lives which are 7 years.

**CHILDREN'S TRUST OF SOUTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Unearned Revenue**

Unearned revenue arises when funds received in advance on an exchange transaction and are not recognized as revenue before revenue recognition criteria have been met. In prior fiscal years all grant funds received in advance were included in unearned as a liability, thereby considered exchange transactions. In the current fiscal year grant funds of \$1,107,542 received in advance are considered non-exchange and are included in revenue.

**Compensated Absences**

Employees are allowed to carryover a maximum of ten personal days off (PTO) days at the end of each fiscal year. All PTO is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The amount of such a liability cannot be determined at this time although the Children's Trust expects such amounts, if any to be immaterial.

**Fund Equity**

Children's Trust reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines five classifications of governmental fund balances: nonspendable, restricted, committed, assigned, and unassigned. Where applicable, these classifications are presented on the face of the general fund balance sheet. Children's Trust highest level of decision-making authority is the Board of Directors. Children's Trust has reported a portion of fund balance as nonspendable, restricted and unassigned, and the reasons are enumerated below.

The nonspendable portion of fund balance represents prepaid expenditures made in the current fiscal year for the subsequent fiscal year as well as artwork. Children's Trust applies restricted resources when expenditure is incurred for the purposes for which both restricted and unrestricted fund balances are available. The restricted fund balance represents revenues which are subject to donor-imposed restrictions whose use is restricted by time and or purpose and requires the Trust to use or expend the gift as specified, based on purpose or passage of time. When donor restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, such amounts are reclassified to the unrestricted fund balance.

**CHILDREN'S TRUST OF SOUTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

Children's Trust is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. Children's Trust has adopted the provisions of the Income Taxes topic of the FASB Accounting Standards Codification. This topic clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. Children's Trust returns are subject to review and examination by federal authorities. Children's Trust is not aware of any activities that would jeopardize its tax-exempt status. Children's Trust files Form 990 in the U.S. federal jurisdiction. Children's Trust is generally no longer subject to examination by the Internal Revenue Service for years prior to 2015.

**Use of Estimates**

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.

**Subsequent Events**

The Trust evaluated events and transactions after September 30, 2019 through January 7, 2020, the date which the financial statements were available to be issued.

**NOTE B – DEPOSITS AND INVESTMENTS**

For cash and cash equivalents, the fair values are equal to the bank balances, which approximate the carrying amount. The cash and cash equivalents reported consist of the following as of September 30, 2019:

Deposits held by financial institutions	\$1,745,415
Cash portion of investments	<u>37,245</u>
	<u><u>\$1,782,660</u></u>

Concentration of credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits through Federal Deposit Insurance Corporation (FDIC) insurance or some other means. Children's Trust has no policy restricting the concentration of deposits in a single financial institution. As of September 30, 2019, Children's Trust had \$1,146,997 of deposits in excess of FDIC insurance coverage.

**CHILDREN'S TRUST OF SOUTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE B – DEPOSITS AND INVESTMENTS (Continued)**

Fair Value of Investments

Children's Trust categorizes its fair value measurements according to a three-level hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by prioritizing that the most observable input be used when available. Observable inputs are those that market participants would use in pricing an investment based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect Children's Trust's assumptions about the information market participants would use in pricing an investment. An investment's level within the fair value hierarchy is based on the lowest level of any input that is deemed significant to the asset's or liability's fair value measurement. The input levels are not necessarily an indication of the risk or liquidity associated with investments at that level.

Fair value inputs are summarized in the three broad levels listed below:

- Level 1 Valuations based on quoted prices for investments in active markets that Children's Trust has the ability to access at the measurement date. Valuation adjustments are not applied to Level 1 investments.
- Level 2 Valuations based on other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.).
- Level 3 Valuations based on significant unobservable inputs (including Children's Trust's own assumptions and judgement in determining the fair value of investments).

Inputs that are used in determining fair value of an investment may include price information, credit data, volatility statistics, and other factors. These inputs can be either observable or unobservable. The availability of observable inputs can vary between investments and is affected by various factors such as the type of investment, and the volume and level of activity for that investment or similar investments in the marketplace.

The following table sets forth by level, within the fair value hierarchy, Children's Trust's assets at fair value as of September 30, 2019:

	Level 1	Level 2	Level 3	Total
Domestic equity funds	\$745,834			\$745,834
Fixed funds	321,011			321,011
International equity funds	587,444			587,444
Real Estate Investment Trust	125,741			125,741
	<u>\$1,780,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,780,030</u>

**CHILDREN'S TRUST OF SOUTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE B – DEPOSITS AND INVESTMENTS (Continued)**

Investment income consisted of the following at September 30, 2019:

Interest and dividends earned	\$65,762
Realized gains (losses) on investments	20,569
Change in unrealized gains	(47,169)
Investment fees	(9,786)
<b>TOTAL INVESTMENT INCOME</b>	<u><u>\$29,376</u></u>

Investment income is used to offset external investment expenses and not internal expenses directly related to investment management activities.

**NOTE C - RECEIVABLES**

Receivables for the year ended September 30, 2019 were as follows:

Grants – federal	\$ 3,402,508
Grants – related party	829,150
Contributions	7,071
Gross receivables	<u>4,238,729</u>
Less, allowance for uncollectible	<u>-</u>
<b>TOTAL RECEIVABLES, NET</b>	<u><u>\$ 4,238,729</u></u>

Management expects that all receivables will be collected.

**NOTE D – CAPITAL ASSETS**

Capital asset activity for Children's Trust for the year ended September 30, 2019 was as follows:

	Balance at 9/30/2018	Additions	Deletions	Balance at 9/30/2019
Equipment and furnishings	\$ 50,821	\$ 0	\$ 0	\$ 50,821
Total capital assets at historical cost	50,821	0	0	50,821
Accumulated depreciation	(28,802)	(4,763)		(33,566)
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>\$ 22,019</u>	<u>\$ (4,763)</u>	<u>\$ 0</u>	<u>\$ 17,256</u>

Depreciation expense of \$4,763 was charged to administrative and strategy.

**CHILDREN'S TRUST OF SOUTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE E – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Additions	Payments	Ending Balance	Due Within One Year
Annual leave	\$ 77,671	\$ 250,554	\$ 251,112	\$ 77,113	\$ -

**NOTE F – OPERATING LEASE OBLIGATION**

Children's Trust entered a new ten-year, non-cancelable, operating lease, effective September 1, 2016, expiring August 31, 2025, with an external party. Total lease payments made under the terms of the lease for the year ended September 30, 2019 is \$160,294. Future minimum lease payments under terms of the lease agreement are as follows:

For the Year Ending September 30	Annual Lease Payments
2020	\$ 165,149
2021	170,096
2022	175,150
2023	180,463
2024	185,871
2025	175,074
Total	<u>\$ 1,051,803</u>

There are also lease agreements for two copiers and one postage meter with future lease payments as follows:

For the Year Ending September 30	Annual Lease Payments
2020	\$ 4,344
2021	4,344
2022	4,344
2023	3,418
2024	537
Total	<u>\$ 16,987</u>

**CHILDREN'S TRUST OF SOUTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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**NOTE G – RISK MANAGEMENT**

Children's Trust is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and job-related illnesses and accidents. Children's Trust pays premiums to a private insurance carrier for workman's compensation insurance and for property and casualty coverage, and for errors and omissions. The insurance carrier promises to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There has been no significant reduction in coverage and amounts of settlements have not exceeded coverage in any of the last three years.

Children's Trust also provides health, life, accident, dental, and other medical benefits to employees who are enrolled in a commercial health insurance plan, \$367,427 of which was paid to the South Carolina Public Employee Benefit Authority ("SC PEBA") during the fiscal year.

**NOTE H – RELATED PARTY TRANSACTIONS**

During the year ended September 30, 2019, Children's Trust received payments from state agencies in the amount of \$4,808,351, of which \$829,150 was receivable at September 30, 2019. The South Carolina Treasurers Office transferred \$100,000 to Children's Trust for its allocation in the States' budget for prevention services throughout the State. The South Carolina Department of Revenue collected \$49,246 through its tax check off program for Children's Trust (see Note A).

Children's Trust payments to state agency sub-recipients and contracts totaled \$2,779,579 for prevention and evaluation related services to include; Darlington County First Steps- \$97,530; Lee County First Steps- \$302,054; MUSC- \$477,337; SC DHEC- \$171,433; SC Office of Rural Health- \$406,582; Spartanburg County First Steps- \$379,088; University of South Carolina- \$841,715; York County First Steps- \$84,458 and payments to various other entities totaling \$49,382.

In addition to the payments for health insurance noted in Note G, Children's Trust made additional payments to various other State entities totaling \$240,059 to include; Accident Fund - \$12,461; SC Deferred Compensation- \$220,660; SC Money Plus \$6,580; and payment to various other entities for \$358.

**NOTE I – ECONOMIC DEPENDENCE**

Children's Trust's programs are funded by annual grants and contracts with various federal and state agencies. For the year ended September 30, 2019, these grants constituted 82 percent of revenues, with the balance of funds coming from foundation grants, program services, community contributions and investment earnings.

**CHILDREN'S TRUST OF SOUTH CAROLINA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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**NOTE J – CONTINGENT LIABILITIES**

Amounts received or receivable from federal and state agencies are subject to audit and adjustment. Any disallowed claims, including amounts already collected, may constitute liabilities. The amount, if any, of reimbursable expenditures which may be disallowed by the grantor cannot be determined at this time although Children's Trust expects such amounts, if any, to be immaterial.

**NOTE K – DEFERRED COMPENSATION PLAN**

Children's Trust participates in the State of South Carolina 457 Deferred Compensation Plan and Trust. The Plan is administered by the South Carolina Public Employee Benefit Authority (PEBA). The Plan permits employers to make contributions to the Plan on behalf of each employee who is a participant at an amount to be determined by the employer. During the year ended September 30, 2019, Children's Trust contributed \$92,415 to the Plan.

**NOTE L – IN-KIND CONTRIBUTIONS**

In-kind contributions represent the value of donated goods at fair market value. For the year ended September 30, 2019, Children's Trust has received various donations to include auction items and professional services that are valued at \$40,292. Management is of the opinion that the valuation of these donated goods is reasonable. In-kind contributions are recorded in Children's Trust's general ledger as revenues and expenses at year end.

GOVERNMENTAL AUDITING SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 CHILDREN'S TRUST OF SOUTH CAROLINA, INC.  
 For the Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Direct Programs:				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Community Based Child Abuse Prevention	93.590			\$ 472,982
Maternal, Infant, and Early Childhood Home Visiting Cluster				
Maternal, Infant and Early Childhood Home Visiting Program - Formula	93.870		\$ 6,048,830	7,943,839
Total Maternal, Infant and Early Childhood Home Visiting Cluster			6,048,830	7,943,839
Pregnancy Assistant Fund Program	93.500		360,767	919,490
Total Direct Programs			6,409,597	9,336,311
Pass-Through Programs:				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
South Carolina Department of Health and Environmental Control				
Title V Maternal and Child Health Services	93.994	B04MC29324		185,227
Total Pass-Through Programs			0	185,227
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,409,597	\$ 9,521,538

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A -- BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Children's Trust of South Carolina, Inc. ("Children's Trust") under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Children's Trust, it is not intended to and does not present the financial position or changes in net position of Children's Trust.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting as described in Note A to the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C -- INDIRECT COST RATE

Children's Trust has elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Board of Directors of  
Children's Trust of South Carolina, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Children's Trust of South Carolina, Inc. ("*Children's Trust*") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Children's Trust's basic financial statements, and have issued our report thereon dated January 7, 2020.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Children's Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children's Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of Children's Trust's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Children’s Trust’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Children’s Trust’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Children’s Trust’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Columbia, South Carolina  
January 7, 2020

*The Hall Group, P.A.*

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Members of the Board of Directors of  
Children's Trust of South Carolina, Inc.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Children's Trust of South Carolina, Inc.'s ("*Children's Trust*") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Children's Trust's major federal programs for the year ended September 30, 2019. Children's Trust's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of Children's Trust's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Children's Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Children's Trust's compliance.

## OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Children’s Trust complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Children’s Trust of South Carolina, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Children’s Trust’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Children’s Trust’s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Columbia, South Carolina  
January 7, 2020

*The Haller Group, P.A.*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 CHILDREN'S TRUST OF SOUTH CAROLINA, INC.  
 For the Year Ended September 30, 2019

SECTION I -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified?        Yes   X   No  
 Significant deficiencies identified?        Yes   X   None reported  
 Noncompliance material to financial statements noted?        Yes   X   No

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?        Yes   X   No  
 Significant deficiencies identified?        Yes   X   None reported

Type of auditors' report issued on compliance for major federal awards programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        Yes   X   No

Identification of major federal programs:

CFDA Numbers	Name of federal program or cluster
93.870	Maternal, Infant, and Early Childhood Home Visiting Cluster
93.590	Community Based Child Abuse Prevention

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee?   X   Yes        No

SECTION II -- FINANCIAL STATEMENT FINDINGS

None

SECTION III -- FEDERAL AWARDS FINDINGS

None

SECTION IV -- SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None