

Children's Trust of South Carolina, Inc.

Report on Financial Statements

For the year ended September 30, 2020

Children’s Trust of South Carolina, Inc.

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Independent Auditor's Report

To the Members of the Boards of Directors
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, 2020, 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

Management of Children's Trust 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 opinions 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, 2020, 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 11 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 25, 2021 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 25, 2021

CHILDREN’S TRUST OF SOUTH CAROLINA MANAGEMENT’S DISCUSSION AND ANALYSIS

The discussion and analysis of Children’s Trust of South Carolina, Inc.’s (Children’s Trust or the Organization) financial performance provides an overview of Children’s Trust’s financial activities for the fiscal year ended September 30, 2020. This analysis is to be considered in conjunction with the financial statements to provide an objective analysis of Children’s Trust’s financial activities.

Understanding Children’s Trust

Children’s Trust is the only statewide organization focused on preventing child abuse and neglect in South Carolina. We lead and support a network of community-based organizations that shares our belief that all children should thrive, live in secure families and be surrounded by supportive communities. As an intermediary organization focused on prevention, 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 also support and fund proven prevention programs, conduct high-quality data and trend analysis, and offer training for professionals so they have 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:

- 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; a program of the Annie E. Casey Foundation;
- 4) the lead for the state's Adverse Childhood Experiences Initiative.

Maternal, Infant and Early Childhood Home Visiting (MIECHV) is a federal grant administered by Children's Trust in South Carolina to coordinate the federal investment and 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 three home visiting program models: Healthy Families America, Parents as Teachers, and Nurse-Family Partnership.

We partnered with 15 local organizations to serve parents and their infants in 36 counties. To ensure our partners have the skills they need to be successful, we provide robust professional development, including network meetings, a leadership academy and performance measure workshops.

The Strengthening Families Program (SFP) is an evidence-based program that works 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. Participants complete a 14-session weekly program. The sessions, which typically begin with a family meal and last 2.5 hours, include parents and children meeting separately to work with group leaders before coming together for shared activities to finish. The skills are then reinforced through weekly home practice assignments. SFP had an 80% graduation rate this year.

Positive Parenting Program/Triple P offers practical strategies for parents to manage their child's behavior. 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

Partners completed five months of in-person programming before the COVID-19 pandemic disrupted service delivery and pivoted to innovative solutions to continue service delivery as noted below:

Maternal, Infant Early Childhood Home Visiting program continued services following the onset of the COVID-19 pandemic. Of the 16 funded sites delivering a home visiting model through the MIECHV grant, 15 moved to virtual home visits with one offering a combined option that included in-person visits for high-need or technology-challenged families. The home visiting program, which is a service-delivery strategy that works to improve the health and well-being of children and their families served 1,280 enrolled families/caregivers with 17,821 home visits completed across 36 counties.

Children's Trust designed a plan to allow 31 Strengthening Families Program sites to begin virtual engagement with their families by utilizing innovative solutions to provide family meals and family celebrate family graduations. The Strengthening Families Program, which builds communications and bonding skills between parents and their children ages 6-11 over 14 weekly sessions, had 824 families and 1,222 children enrolled in 24 funded sites and 28 counties across the state.

Positive Parenting Program (Triple P) began service delivery in Greenville county and worked to implement online classes and virtual one-on-one sessions to follow social distancing guidelines. Service delivery continued in Georgetown county during the fiscal year, also transitioning to implementation through virtual sessions. The initiative trained 103 practitioners from 19 community-based organizations. It served 261 caregivers and parents.

Children's Trust conducted two R.O.L.E.S. trainings, 80 Adverse Childhood Experience (ACE) trainings, three ACE train-the-trainers and held three ACE peer learning sessions. Other training offerings included Early Childhood 101 and Keeping Kids Safe.

As the intermediary on the Pay For Success initiative, Children's Trust received and distributed \$120,000 between partners.

Children's Trust received \$267,828 in restricted and unrestricted donations as well as \$8,000 in in-kind donations. There were no volunteers utilized during the fiscal year due to COVID-19 restrictions.

There were 117 partners who agreed to participate in Child Abuse Prevention Month awareness activities.

Children's Trust facilitated three Empower Action Model coalitions in three counties: Richland, Marlboro and Oconee. In parallel work, the Organization also convened three parent advisory councils to ensure parenting voices in these community-wide prevention planning efforts.

The FRIENDS National Center for Community-Based Child Abuse Prevention (CBCAP) named Children's Trust as one of eight state organizations across the nation for its exemplary practices in community-based comprehensive approaches to the prevention of child abuse and neglect. The report credits Children's Trust expansion of prevention programming, the Empower Action Model and its Adverse Childhood Experiences (ACE) Initiative.

Because of Children's Trust national leadership in prevention innovations, South Carolina was selected as one of four jurisdictions across the nation to participate in *Thriving Families, Safer Children: A National Commitment to Well-Being*. This statewide effort will work to transform South Carolina's child welfare system away from post-abuse treatment and services to proactive prevention programs and building holistic family well-being.

BlueCross Blue Shield of South Carolina awarded Children's Trust a Catalyst Award grant for its work through the Race Equity and Inclusion Partnership project.

The work of Children's Trust was featured in two issues of the *Children's Bureau Express*, a national publication of the U.S. Children's Bureau that covers news issues and trends of interest to professional and policymakers in the fields of child abuse, neglect, and child welfare and adoption. The publication cited our organization once for its work in home visiting and a second time for selection with the S.C. Department of Social Services for the *Thriving Families, Safer Children: A National Commitment to Well-Being* initiative.

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 the 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.

Government-wide Financial Statements

The government-wide 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 has 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 discreetly 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.

Government-wide Financial Analysis

The following statement of net position and statement of activities schedules are useful for understanding the government-wide or fund financial statements. As noted in the schedule, net position increased by \$596,018 during the fiscal year 2020, and in fiscal year 2019, net position increased by \$1,228,915. \$30,039 and \$1,107,542 of the increase in net assets was restricted in fiscal year 2020 and 2019 respectively. Current and other assets include investments of \$1,901,457, which are held with Charles Schwab in mutual funds, equities and money market accounts.

Assets and Liabilities (See notes of the financial statements)

	2020	2019
Current and other assets	\$8,718,016	\$7,481,931
Capital assets, less depreciation	12,493	17,256
Total assets	8,730,509	7,499,187
Current and other liabilities	3,408,298	2,809,046
Long-term liabilities	113,165	77,113
Total liabilities	3,521,463	2,886,159
Net position		
Invested in capital assets	12,493	17,256
Unrestricted net position	4,058,972	3,488,230
Restricted net position	1,137,581	1,107,542
Total net position	<u>\$5,209,046</u>	<u>\$4,613,028</u>

Children's Trust capital assets include the purchase of a server during fiscal year 2018 for \$11,292 and audio conference equipment purchased in 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 \$38,328 for a current value of \$12,493. All capital assets are depreciated over a seven-year period.

In the current fiscal year unearned revenue is \$326,890. Current and other liabilities in the prior fiscal year included unearned of \$192,156. 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.

Current and other liabilities also include a \$550,000 refundable advance received under the Paycheck Protection Program on April 18, 2020. Management expects the loan to be fully forgiven during fiscal year 2021. (See note 11)

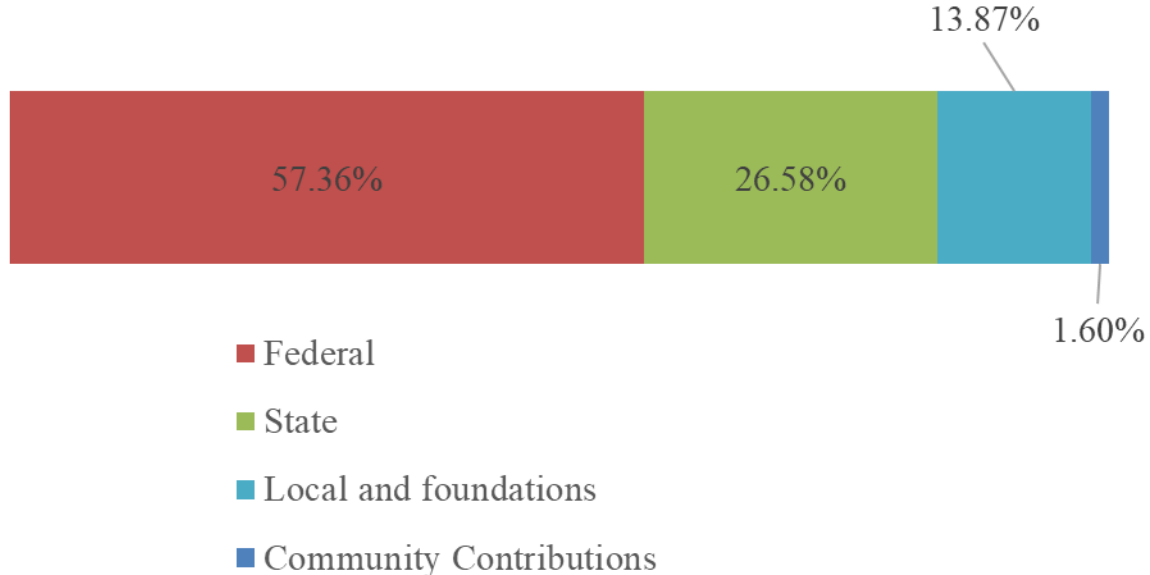
	<u>2020</u>	<u>2019</u>
REVENUES		
Program revenues		
Program specific operating grants		
Federal	\$9,293,773	\$9,343,242
State	4,306,419	5,117,086
Local and foundations	2,246,759	2,559,460
Contributions		
General Public	259,828	400,694
In-Kind	8,000	40,292
Program service		
Services and training	32,863	102,884
General revenues		
Interest income and other revenue	53,661	
Investment earnings	56,163	29,376
TOTAL REVENUES	<u>\$16,257,466</u>	<u>\$17,593,034</u>

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 8)

Due to impacts of COVID-19 the Organization saw a decrease in General Public Contributions as a result of cancelled fundraising events and overall decreases in public giving during fiscal year 2020.

Also due to COVID-19 many of the Organization's sponsored trainings and activities as well as grantees were forced to restructure or cancel planned programs during the fiscal year, which caused a decrease in reimbursable grant funds received.

FY20 Revenues*



*Revenues not shown have percentages less than 1%.

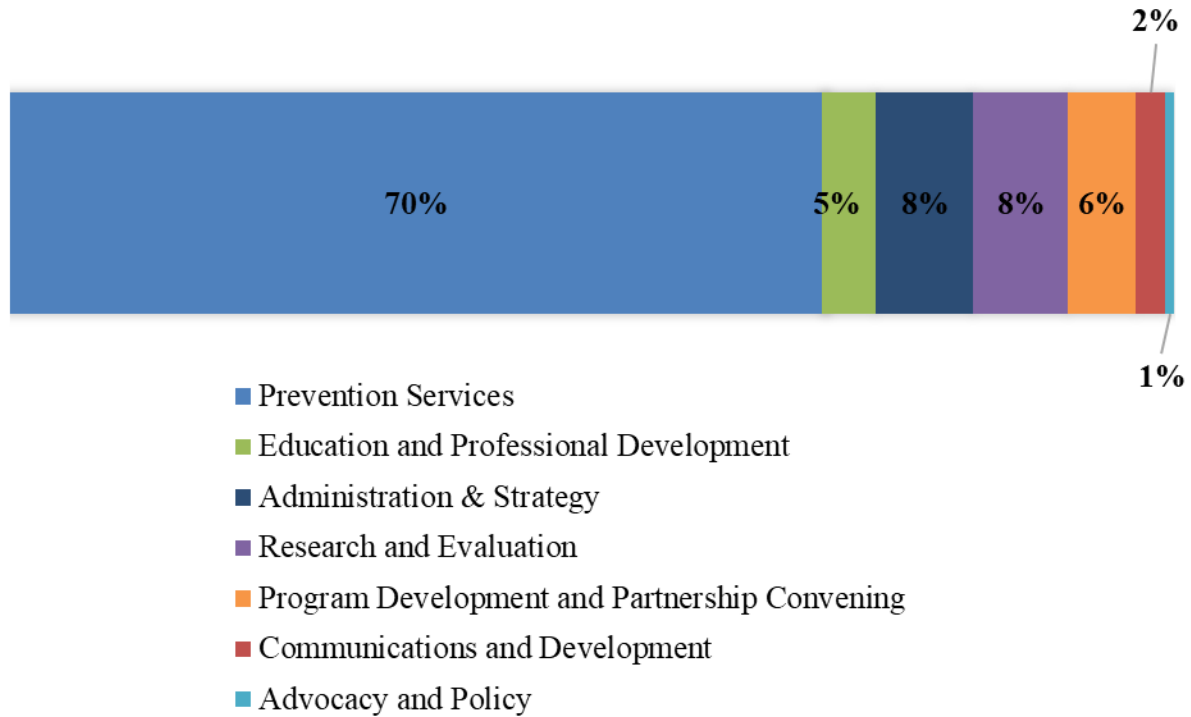
EXPENSES	2020	2019
Prevention Services	\$ 10,913,642	\$ 11,201,980
Communications and Development	389,697	467,144
Education and Professional Development	737,784	979,644
Research and Evaluation	1,276,099	1,358,344
Advocacy and Policy	126,398	160,336
Program Development and Partnership Convening	918,269	900,857
Administration & Strategy	1,299,559	1,295,814
TOTAL EXPENSES	\$ 15,661,448	\$ 16,364,119

Many of the Organization's activities and expenses were redirected during fiscal year 2020 due to impacts of COVID-19, which caused an overall decrease in expenses.

Communications and Development saw a decrease in expenses due to cancelled fundraising events as well as the inability to travel and hold face-to-face events for the Organization's Annual Child Abuse Prevention month activities in April.

Due to cancellations and transitions to virtual settings in both sponsored trainings and staff professional development the Organization saw a decrease in Education and Professional Development expenses.

FY20 EXPENSES



NET POSITION

	<u>2020</u>	<u>2019</u>
Total revenue	\$ 16,257,466	\$ 17,593,034
Total expenses	<u>15,661,448</u>	<u>16,364,119</u>
Excess of revenues over expenses	596,018	1,228,915
Net position beginning of year	4,613,028	3,384,113
Net position at end of year	<u>\$ 5,209,046</u>	<u>\$ 4,613,028</u>
Net investment in capital assets	\$ 12,493	\$ 17,256
Unrestricted	4,058,972	3,488,230
Restricted	<u>1,137,581</u>	<u>1,107,542</u>
	<u>\$ 5,209,046</u>	<u>\$ 4,613,028</u>

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 scchildren.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://scchildren.org/>.

Children's Trust of South Carolina, Inc.**Statement of Net Position****As of September 30, 2020**

Assets

Cash and cash equivalents	\$ 3,586,740
Investments	1,901,457
Receivables:	
Grants	2,166,019
Related party	982,745
Contributions	16,740
Prepaid items	47,815
Property and equipment, net	12,493
Asset held for sale	16,500
Total assets	<u>8,730,509</u>

Liabilities**Current liabilities**

Accounts payable	1,742,552
Accrued liabilities	108,990
Refundable advance	550,000
Due to related parties	679,866
Unearned revenue	326,890
Total current liabilities	<u>3,408,298</u>

Noncurrent liabilities

Accrued compensated absences	113,165
Total liabilities	<u>3,521,463</u>

Net Position

Net investment in capital assets	12,493
Restricted	1,137,581
Unrestricted	4,058,972
Total net position	<u>\$ 5,209,046</u>

See Notes to Financial Statements

Children's Trust of South Carolina, Inc.**Statement of Activities****For the year ended September 30, 2020**

Revenues

Program revenues	
Program specific operating grants:	
Federal	\$ 9,293,773
State	4,306,419
Local and foundations	2,246,759
Contributions:	
General public	259,828
In-kind	8,000
Charges for services	32,863
General revenues	
Interest income and other revenue	53,661
Investment income	56,163
Total revenues	<u>16,257,466</u>

Operating expenses

Current operating	
Prevention services	10,913,642
Communications and development	389,697
Education and professional development	737,784
Research and evaluation	1,276,099
Advocacy and policy	126,398
Program development and partnership convening	918,269
Administration and strategy	1,299,559
Total operating expenses	<u>15,661,448</u>
Change in net position	596,018

Net position, beginning of year	<u>4,613,028</u>
Net position, end of year	<u><u>\$ 5,209,046</u></u>

See Notes to Financial Statements

Children's Trust of South Carolina, Inc.

Balance Sheet - General Fund

As of September 30, 2020

Assets

Cash	\$ 3,586,740
Investments	1,901,457
Receivables:	
Grants	2,166,019
Related party	982,745
Contributions	16,740
Prepaid items	47,815
Asset held for sale	16,500
Total assets	<u>\$ 8,718,016</u>

Liabilities

Accounts payable	\$ 1,742,552
Accrued liabilities	108,990
Due to related parties	679,866
Unearned revenue	326,890
Total liabilities	<u>2,858,298</u>

Fund balances

Nonspendable	64,315
Restricted	1,137,581
Unassigned	4,657,822
Total fund balances	<u>5,859,718</u>
Total liabilities and fund balances	<u>\$ 8,718,016</u>

Reconciliation of the Balance Sheet of the General Fund
to the Statement of Net Position

Total Fund Balance of the General Fund	\$ 5,859,718
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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	12,493
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Some liabilities are not due and payable in the current period and
therefore are not reported in the General Fund:

Refundable advance	(550,000)
Compensated absences	(113,165)
Total net position	<u>\$ 5,209,046</u>

See Notes to Financial Statements

Children's Trust of South Carolina, Inc.

Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund For the year ended September 30, 2020

Revenues

Program revenues	
Program specific operating grants	
Federal	\$ 9,293,773
State	4,306,419
Local and foundations	2,246,759
Contributions:	
General public	259,828
In-kind	8,000
Charges for services	32,863
General revenues	
Interest income and other revenue	53,661
Investment income	56,163
Total revenues	<u>16,257,466</u>

Operating expenditures

Prevention services	10,913,642
Communications and development	389,697
Education and professional development	737,784
Research and evaluation	1,276,099
Advocacy and policy	126,398
Program development and partnership convening	918,269
Administration and strategy	1,258,744
Total operating expenditures	<u>15,620,633</u>
Excess of revenues over expenditures	636,833

Other financing sources

Proceeds from refundable advance	<u>550,000</u>
Total other financing sources	<u>550,000</u>
Net change in fund balance	1,186,833

Fund balance, beginning of year	<u>4,672,885</u>
Fund balance at end of year	<u><u>\$ 5,859,718</u></u>

Reconciliation of the Statement of Revenues, Expenditures and and Changes in Fund Balance of the General Fund to the Statement of Activities

Net change in fund balance	\$ 1,186,833
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.	(4,763)
Proceeds from issuance of debt are treated as other financing sources in the governmental funds but the proceeds increase liabilities in the Statement of Net Position	(550,000)
Some expenses recorded in the Statement of Activities, compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.	<u>(36,052)</u>
Net change in net position	<u><u>\$ 596,018</u></u>

See Notes to Financial Statements

Children's Trust of South Carolina, Inc.**Statement of Fiduciary Assets and Liabilities****As of September 30, 2020**

	Pay for Success
Assets	
Restricted cash and cash equivalents	<u>\$ 7,617,931</u>
Total assets	<u><u>\$ 7,617,931</u></u>
Liabilities	
Due to outside agencies	<u>\$ 7,617,931</u>
Total liabilities	<u><u>\$ 7,617,931</u></u>

See Notes to Financial Statements

Children's Trust of South Carolina

Notes to the Financial Statements

September 30, 2020

Note 1. 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 a 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 board 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 Government Accounting Standards Board ("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 account 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 Pay For Success funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Children's Trust of South Carolina

Notes to the Financial Statements

September 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation:

Financial statements for governments such as 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.

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:

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.

Children's Trust of South Carolina

Notes to the Financial Statements

September 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

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 as of September 30, 2020.

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, 2020, 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 acquisition 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.

Unearned revenue:

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. Grant funds received in advance on a non-exchange transaction are recognized as restricted revenue.

Compensated absences:

Employees are allowed to carryover a maximum of fifteen personal days off (PTO) during fiscal year 2020 due to circumstances around COVID-19. In prior years Employees were allowed to carryover a maximum of ten 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.

Children's Trust of South Carolina

Notes to the Financial Statements

September 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

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 and restricted, 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. 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 Children's 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.

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.

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:

Children's Trust has evaluated events and transactions after September 30, 2020 through January 25, 2021, the date which the financial statements were available to be issued.

Children's Trust of South Carolina

Notes to the Financial Statements

September 30, 2020

Note 2. 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, 2020:

Deposits held by financial institutions	\$ 3,513,479
Cash portion of investments	73,261
	<u>\$ 3,586,740</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, 2020, Children's Trust had \$3,188,924 of deposits in excess of FDIC insurance coverage.

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.

Children's Trust of South Carolina

Notes to the Financial Statements

September 30, 2020

Note 2. Deposits and Investments, Continued

The following table sets forth by level, within the fair value hierarchy, Children's Trust's assets at fair value as of September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity	\$ 2,520	\$ -	\$ -	\$ 2,520
Domestic equity funds	903,616	-	-	903,616
Domestic fixed income	76,563	-	-	76,563
Corporate bond funds	352,148	-	-	352,148
International equity funds	566,610	-	-	566,610
	<u>\$ 1,901,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,901,457</u>

Investment income consisted of the following at September 30, 2020:

Interest and dividends earned	\$ 45,346
Realized gains (losses) on investments	9,500
Change in unrealized gains	12,930
Investment fees	(11,613)
Total investment income	<u>\$ 56,163</u>

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

Note 3. Receivables

Receivables for the year ended September 30, 2020 were as follows:

Grants - federal	\$ 2,166,019
Grants - related party	982,745
Contributions	<u>16,740</u>
Gross receivables	3,165,504
Less, allowance for uncollectible	-
Total receivables, net	<u>\$ 3,165,504</u>

Management expects that all receivables will be collected.

Children's Trust of South Carolina

Notes to the Financial Statements

September 30, 2020

Note 4. Capital Assets

Capital assets for Children's Trust as of September 30, 2020 was as follows:

Equipment and furnishings	\$ 50,821
Total capital assets at historical cost	50,821
Accumulated depreciation	(38,328)
Total capital assets, net	<u>\$ 12,493</u>

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

Note 5. Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Annual leave	<u>\$ 77,113</u>	<u>\$ 308,729</u>	<u>\$ 272,677</u>	<u>\$ 113,165</u>

Note 6. Operating Leases

Children's Trust entered in to 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, 2020 is \$187,196. Future minimum lease payments under terms of the lease agreement for the year ending September 30 are as follows:

	<u>Annual Lease Payments</u>
2021	\$ 170,096
2022	175,150
2023	180,463
2024	185,871
2025	<u>175,074</u>
Total	<u>\$ 886,654</u>

Children's Trust of South Carolina

Notes to the Financial Statements

September 30, 2020

Note 6. Operating Leases, Continued

There are also lease agreements for two copiers and one postage meter with future lease payments of \$16,987; for the year ending September 30 as follows:

	Annual Lease Payments
2021	\$ 4,344
2022	4,344
2023	3,418
2024	537
Total	<u>\$ 12,643</u>

Note 7. 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, \$343,886 of which was paid to the South Carolina Public Employee Benefit Authority (SC PEBA) during the fiscal year.

Note 8. Related Party Transactions

During the year ended September 30, 2020, Children's Trust received payments from state agencies in the amount of \$4,306,419, of which \$982,745 was receivable at September 30, 2020. The South Carolina Treasurers Office transferred \$800,000 to Children's Trust for its allocation in the State's budget for prevention services throughout the State. The South Carolina Department of Revenue collected \$31,992 through its tax check off program for Children's Trust (see Note 1).

Children's Trust payments to state agency sub-recipients and contracts totaled \$2,874,975 for prevention and evaluation related services to include; Darlington County First Steps- \$109,016; Lee County First Steps- \$338,854; MUSC- \$421,875; SC DHEC- \$187,567; SC Office of Rural Health- \$304,600; Spartanburg County First Steps- \$364,106; University of South Carolina- \$688,747; York County First Steps- \$129,998; Greenville County First Steps- \$139,607 and payments to various other entities totaling \$190,605.

In addition to the payments for health insurance noted in Note 7, Children's Trust made additional payments to various other State entities totaling \$307,494 to include Accident Fund - \$13,047; SC Deferred Compensation- \$273,308; Revenue and Fiscal Affairs Office- \$20,000; and payment to various other entities for \$1,139.

Children's Trust of South Carolina

Notes to the Financial Statements

September 30, 2020

Note 9. 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, 2020, these grants constituted 84 percent of revenues, with the balance of funds coming from foundation grants, program services, community contributions and investment earnings.

Note 10. 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 11. Paycheck Protection Program

On April 18, 2020, Children's Trust received loan proceeds in the amount of \$550,000 under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. Children's Trust intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that Children's Trust is not granted forgiveness, Children's Trust will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 18, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

Children's Trust has recorded a refundable advance and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended September 30, 2020. Children's Trust is required to repay any remaining balance of \$550,000, plus interest accrued at 1% per annum in monthly payments beginning on August 5, 2021. Principal and interest payments will be required through the maturity date of April 18, 2022.

Note 12. 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, 2020, Children's Trust contributed \$94,940 to the Plan.

Children's Trust of South Carolina

Notes to the Financial Statements

September 30, 2020

Note 13. In-Kind Contributions

In-kind contributions represent the value of donated goods at fair market value. For the year ended September 30, 2020, Children's Trust has received various donations to include auction items and professional services that are valued at \$8,000. 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.

Note 14. COVID-19 Impacts

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Children's Trust is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on Children's Trust's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Children's Trust's partners and funders, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Children's Trust's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

Children's Trust of South Carolina, Inc.***Schedule of Expenditures of Federal Awards******For the year ended September 30, 2020***

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Direct programs:			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Community Based Child Abuse Prevention	93.590		\$ 552,143
Maternal, Infant, and Early Childhood Home Visiting Program-Formula	93.870		8,003,445
Pregnancy Assistant Fund Program	93.500		741,380
		Total Direct Programs	<u>9,296,968</u>
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	107,166
Injury Prevention and Control Research and State and Community	93.136	1NU17CE925021-01	222,088
South Carolina Department of Alcohol and Other Drug Abuse Services			
South Carolina State Opioid Response Grant	93.788	CTR-SOR-20	136,041
		Total Pass-Through Programs	<u>465,295</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 9,762,263</u>

Children's Trust of South Carolina

Notes to the Schedule of Expenditures of Federal Awards ***September 30, 2020***

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, 2020. 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 an indirect cost rate of 26%.

**Independent Auditor's 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
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, 2020, 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 25, 2021.

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.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina
January 25, 2021

**Independent Auditor's 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
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, 2020. 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, 2020.

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 25, 2021

Children's Trust of South Carolina
Schedule of Findings and Questioned Costs
September 30, 2020

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 No

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 No

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.SIG(a)?

_____ Yes X No

Identification of major federal programs:

CFDA Numbers

93.870

Name of federal program or cluster

Maternal, Infant, and Early Childhood Home Visiting Cluster

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