

Children's Trust of South Carolina, Inc.

Report on Financial Statements

For the year ended September 30, 2022

Children’s Trust of South Carolina, Inc.

Contents

Page

Independent Auditor's Report 1-3

Management’s Discussion and Analysis 4-12

Financial Statements

Statement of Net Position13

Statement of Activities.....14

Balance Sheet – General Fund and Reconciliation of the Balance Sheet of the
General Fund to the Statement of Net Position15

Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund and
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of the General Fund to the Statement of Activities16

Notes to the Financial Statements..... 17-26

Single Audit

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* 27-28

Independent Auditor’s Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance in Accordance with the
Uniform Guidance 29-31

Schedule of Expenditures of Federal Awards32

Notes to the Schedule of Expenditures of Federal Awards33

Schedule of Findings and Questioned Costs34

Independent Auditor's Report

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

Opinion

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, 2022, 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.

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, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Trust's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements, Continued

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Children's Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Children's Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 26, 2023 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 26, 2023

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

Understanding Children's Trust

Children's Trust is the only statewide organization focused on preventing child abuse and neglect in South Carolina. It leads and supports a network of community-based organizations, which share the belief that all children should thrive, live in secure families and be surrounded by supportive communities. As an intermediary organization focused on prevention, Children's Trust serves as the statewide advocate for issues critical to South Carolina's children, provides resources and technical support to our prevention partners, and creates and shares messages about prevention. It also supports and funds proven prevention programs, conducts high-quality data and trend analysis, and offers training for professionals so they have the tools they need to help children and families in counties across the state.

The organization was established in 1984 by the South Carolina General Assembly (Title 63, Chapter 11, Article 9) as the South Carolina Children's Trust Fund. It is an eleemosynary corporation that awards grants to private nonprofit organizations and qualified state agencies to fund a broad range of innovative child abuse and neglect prevention programs to meet the critical needs of South Carolina's children. It is governed by a seventeen-member board of directors, who are appointed by the Governor. The organization does business as Children's Trust of South Carolina.

Following the powers and duties established by statute, the organization focuses on six core areas:

1. **Prevention Services.** Children's Trust provides funding and program support to local community organizations to deliver evidence-based program models that can be implemented with fidelity, measured for effectiveness, and ensure results. It focused on two-generation strategies that work to build stronger families and keep children safe.
2. **Research and Evaluation.** Children's Trust collects and studies child, family, and community data on child and family well-being and child abuse and neglect to know how and where to target prevention efforts. Children's Trust also collects and studies prevention program data, including financial, process and outcome data, to know what's effective in delivering on the mission.
3. **Communications and Development.** Children's Trust uses various strategies and communication channels to grow support and awareness for the work of preventing child abuse and neglect. Messaging works to educate families and child-serving professionals on prevention strategies, to advocate with thought-leaders and policy makers for greater prevention investments, and to solicit financial support from current and potential donors.
4. **Education and Professional Development.** Children's Trust trains child-serving professionals in the knowledge, skills and resources they need to best work with families in preventing child abuse and neglect. Training opportunities range from statewide conferences to specialized sessions on focused curriculum and program models.
5. **Advocacy and Policy.** Children's Trust advocates for child and family well-being by educating policymakers, thought-leaders and child advocates on issues that impact children and families.
6. **Program Development and Partnership Convening.** No single individual, organization or government agency working alone can address the well-being of children and their families and prevent child abuse and neglect. Children's Trust works collaboratively at the local and state levels as a convening agent, as well as a coordinating body for prevention services, bringing together best practices, expertise, data and resources, to identify upstream solutions to build stronger families and healthier children.

Administration and Strategy

Children's Trust incurs operating costs associated with providing our core services in the prevention of child abuse and neglect. These expenses are not directly attributable to a specific program or function.

Programs and Initiatives

Children's Trust serves as the state leader for the following:

1. South Carolina Home Visiting Consortium, which convenes all home visiting program and model leads along with several other early childhood, comprehensive systems service providers;
2. Prevent Child Abuse South Carolina;
3. KIDS COUNT; a program of the Annie E. Casey Foundation;
4. S.C. Family Resource Center Network, using the national standards of the National Family Support Network;
5. South Carolina Adverse Childhood Experiences Initiative; and
6. Triple P South Carolina Practitioner Network, convening all individuals delivering Triple P services throughout South Carolina.

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 the prevention of child abuse and neglect and provide support services for children and families. Children's Trust funds three evidence-based home visiting program models: Healthy Families America, Parents as Teachers, and Nurse-Family Partnership. To ensure our funded partners have the skills they need to be successful, we provide robust professional development and technical assistance from PASOS, Help Me Grow, and the South Carolina Infant Mental Health Association. Specialized training sessions addressed performance measures, infant massage, advocacy, fire safety, continuous quality improvement and the COVID-19 workforce.

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 communication and parenting skills, and assist children with social skills 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 to finish with a shared activity. The skills are then reinforced through weekly home practice assignments and report backs the following week.

The Positive Parenting Program, more commonly known as Triple P, offers a suite of interventions of increasing intensity, ensuring flexibility to meet the needs of families and communities and working to help parents better manage their child's behavior. 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. Our work is focused on building Triple P services in Georgetown, Greenville, and Spartanburg Counties and includes funding, coaching and training.

Key Highlights

Maternal, Infant Early Childhood Home Visiting program continued services following the onset of the COVID-19 pandemic. Funded sites continue delivering home visiting models either fully virtually or hybrid option that included in-person visits for high-need or technology-challenged families. The home visiting program served 1,420 families/caregivers with 1,194 children through 17,456 home visits. We improved or maintained (without significant variance) in 17 of 19 performance measures. We partnered with 15 local organizations to serve parents and their infants in 42 counties.

The Strengthening Families Program (SFP) served 796 families and 1,507 children. We funded 25 organizations, and they completed 95 cycles in 33 counties in a combination of rural, urban and suburban areas. A partnership with the S.C. Department of Social Services and the Duke Endowment funds a significant portion of SFP programming. Additional funding comes from S.C. Department of Health and Environmental Control, and the S.C. Department of Alcohol and Other Drug Abuse Services.

Triple P served 1,502 caregivers impacting 2,900 children. Over the past year, Children's Trust has focused on building a network of Triple P practitioners across South Carolina to engage in resource and knowledge sharing. In January, we launched a survey to collect information from Triple P practitioners about the programs they provide. To keep practitioners informed on the network and professional development opportunities and to keep connected to its growing list of stakeholders, a quarterly newsletter was launched. Professional development opportunities focused on parent engagement and program implementation.

Children's Trust received \$800,000 of funding from the South Carolina General Fund: \$700,000 through the S.C. Department of Social Services and \$100,000 through the Office of Child Advocate.

Children's Trust completed a partnerships assessment with its funded partners in home visiting, Strengthening Families Program and Triple P. A significant majority (82 percent) of respondents reported that Children's Trust meets their needs for partner support.

Children's Trust held its biennial statewide prevention conference in person for the first time since 2019. The conference had 459 registrants and a 91 percent attendance rate with 78 percent of the state represented (36/46 counties.) In a post-conference survey, 100 percent of respondents reported that the event was a good use of their time, and 98 percent agreed that they gained knowledge, connections or actionable takeaways to support child and family well-being.

Children's Trust expanded its capacity to focus on parent engagement and partnership. Working concurrently, it also is focused on building and funding a network of family resource centers in South Carolina. The network has 12 members and partners with funding for service provision as its next step. Children's Trust engaged Circle of Parents to provide technical assistance to build parent leadership and partnership for both of these interrelated initiatives.

In partnership with the South Carolina Department of Education, Children's Trust staff facilitated eight Adverse-Childhood Experiences Trainings-of-Trainers to staff in the education field, adding more than 100 Master Trainers to a list of over 200 across the state. During the year, twelve schools representing seven school districts, two universities, one technical school, and one after-school program received ACEs training resulting in more than 650 individuals in the field of education being trained on how adversity early in life can affect the developing brain and cause lifelong health and social problems and about resilience – the ways we can help children overcome adversity and thrive. This effort addresses the impact of the pandemic on the mental health of children.

The S.C. Department of Health and Human Services in partnership with Children's Trust launched Community Connections, a free 24/7 online database of resources that connects South Carolinians in need with available social and healthcare services across the state.

Children's Trust received \$277,423 in restricted and unrestricted donations. There were 38 volunteers providing 82 volunteer hours to the organization, in addition to the organization's 13 members of the Board of Directors and 2 committee members who served in a fully voluntary capacity.

For Child Abuse Prevention Month, 140 partners received messaging materials and participated in Child Abuse Prevention Month awareness activities. There were 328 downloads of the messaging toolkits and graphic files. Community events and press conferences were held around the state to raise awareness. Gov. Henry McMaster held a press conference at the Governor's Mansion to declare April as Child Abuse Prevention Month in South Carolina.

South Carolina ranks No. 39 nationally in child and family well-being, according to the 2022 KIDS COUNT® Data Book, a 50-state report of recent household data developed by the Annie E. Casey Foundation analyzing the well-being of children and their families. Public relations efforts gained interviews and news stories that reached a statewide audience.

Children’s Trust hosted a legislative preview webinar featuring South Carolina Senator Katrina Shealy and Representative Spencer Wetmore in advance of the 2022 legislative session.

Board Chair [Tiffany Santagati](#) spoke to the Joint Citizens Committee on Children in Greenville during the committee’s annual statewide listening tour. Santagati shared with the committee [recent data](#) from KIDS COUNT that ranks South Carolina 37th for child economic well-being, and she laid out policies and programs that could improve the lack of affordable housing in the state.

Board Member Erin Pate was presented the Yezbak Award for her service to the organization. The award, which is named for former board chair David Yezbak, highlights Pate’s commitment to the prevention of child abuse and neglect in South Carolina.

Chief Executive Officer Sue Williams is a peer reviewer for the state chapter rechartering process of Prevent Child Abuse America, bringing the best-practices and innovations of peer states back to South Carolina.

Chief Operating Officer Joan Hoffman was re-elected to the Children’s Trust Fund Alliance Board of Directors. Chief Communications Officer Bett Williams serves as co-chair of the Alliance Communications Committee.

Chief Partner Engagement Officer Eric Bellamy served as a board member for the national Association of State and Tribal Home Visiting Initiatives.

Children’s Trust continued supporting the South Carolina response to Thriving Families, Safer Children: A National Commitment to Well-Being. More than 50 percent of the steering committee members have lived experiences. The steering committee selected Charleston, Fairfield, Newberry and Orangeburg Counties to pilot the transformation of South Carolina’s child welfare systems and policies away from post-abuse treatment and services to community-based proactive prevention programs and building holistic family well-being.

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.

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 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 Annual Comprehensive Financial Report.

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 Annual Comprehensive Financial Report.

Government-wide Financial Analysis

The following 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 decreased by \$586,918 during fiscal year 2022, and in fiscal year 2021, net position increased by \$953,671. The 2022 and 2021 changes in net assets included a \$41,582 increase and a \$30,039 increase in restricted net assets, respectively. Current and other assets include investments of \$1,982,606, which are held with Charles Schwab in mutual funds, equities, and money market accounts.

Assets and Liabilities (See notes of the financial statements)

	2022	2021
Current and other assets	\$ 9,256,012	\$ 8,940,279
Capital assets, less depreciation	2,967	7,730
Total assets	<u>9,258,979</u>	<u>8,948,009</u>
Current and other liabilities	3,253,424	2,703,720
Long-term liabilities	429,756	81,572
Total liabilities	<u>3,683,180</u>	<u>2,785,292</u>
Net position		
Invested in capital assets	2,967	7,730
Unrestricted	4,524,174	5,147,911
Restricted	1,048,658	1,007,076
Total net position	<u>\$ 5,575,799</u>	<u>\$ 6,162,717</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 \$47,855 for a current value of \$2,967. All capital assets are depreciated over a seven-year period.

In the current fiscal year, unearned revenue is \$661,613. Current and other liabilities in the prior fiscal year included unearned of \$379,413. 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 2021 the Paycheck Protection Program loan was fully forgiven and included in 2021 revenues. No additional Paycheck Protection Program loans were obtained in 2022.

REVENUES	<u>2022</u>	<u>2021</u>
Program revenues		
Program specific operating grants		
Federal	\$ 8,955,044	\$ 8,069,804
State	5,663,100	5,471,682
Local and foundations	1,957,396	1,897,922
Contributions		
General Public	277,423	230,235
In-Kind	7,937	-
Program service		
Services and training	125,694	135,663
General revenues		
Other Revenues	7,457	8,170
Paycheck Protection extinguishment	-	550,000
Investment earnings (losses)	(506,234)	460,842
TOTAL REVENUES	<u><u>\$ 16,487,817</u></u>	<u><u>\$ 16,824,318</u></u>

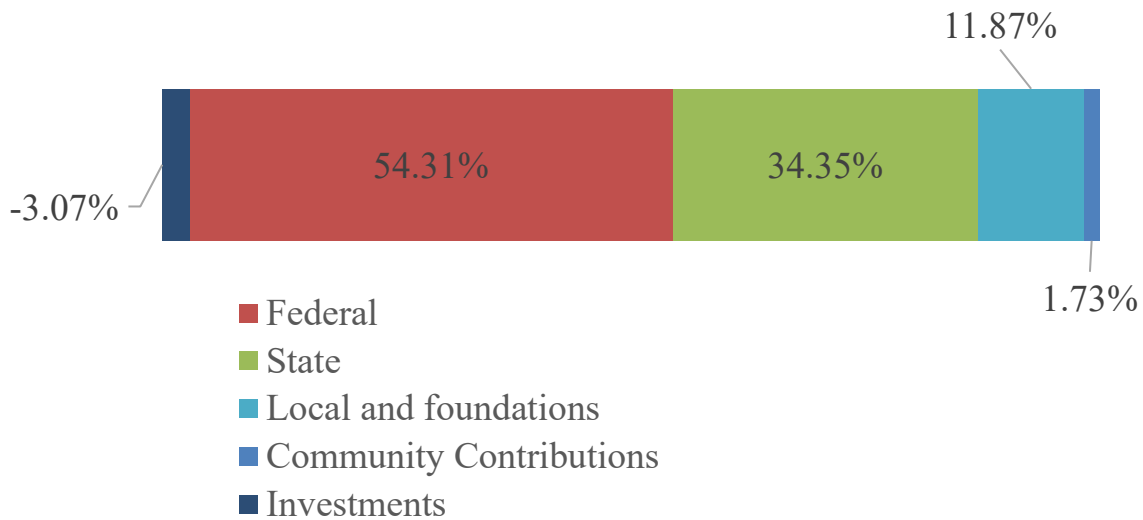
Funds received from the state include an allocation from the State and from various contracts with state agencies as outlined in the related parties note in the financial statements (see note 8).

Children’s Trust’s investment portfolio was exposed to the post pandemic economic impacts of the market, resulting in a net loss during 2022 of \$506,234.

The organization’s community contributions experienced an increase from the prior year as some in-person events resumed at the end of the fiscal year, such as the Building Hope for Children’s Conference and Strike Out Child Abuse event. However, contributions were still lower than usual with overall individual giving being impacted by the post pandemic economy.

Some trainings, events and programmatic work were able to return to in-person settings during the latter parts of the fiscal year, however a great deal continued to be performed in virtual formats. These factors led to an increase in grant revenues, however, activities were still not back to pre-pandemic levels for the entirety of the fiscal year causing overall income to be lower than expected.

FY22 Revenues



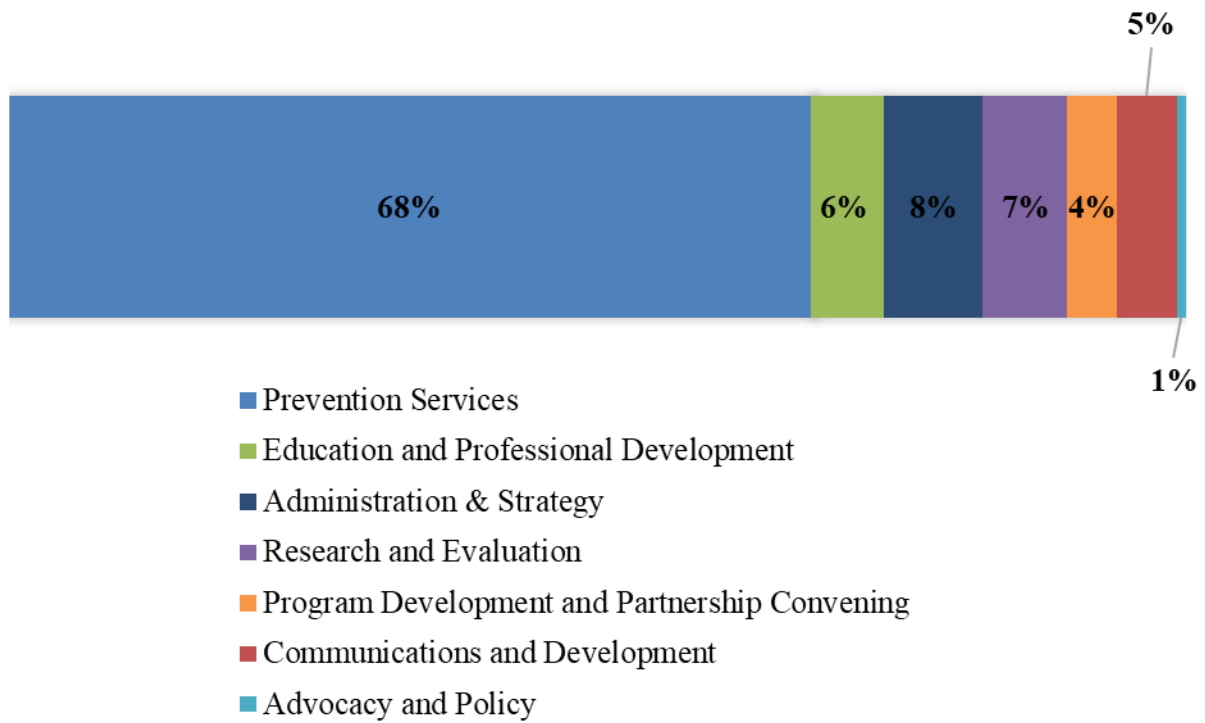
EXPENSES	2022	2021
Prevention Services	\$ 11,625,310	\$ 11,019,079
Communications and Development	869,236	604,422
Education and Professional Development	1,058,944	690,654
Research and Evaluation	1,214,547	1,376,621
Advocacy and Policy	132,266	121,915
Program Development and Partnership Convening	727,091	777,576
Administration & Strategy	1,447,341	1,280,380
TOTAL EXPENSES	\$ 17,074,735	\$ 15,870,647

The organization was able to return to a partially in-person work environment during the fiscal year. In addition, there was an increase in the ability to travel and hold in-person meetings and activities, leading to an overall increase of expenses for the organization.

Communications and Development activities were able to move back to an in-person format during the second half of the fiscal year, most notably the Building Hope for Children Conference was held in-person during the fiscal year. The increased ability to host activities and events in-person led to an increase in expenses in this category, compared to the previous fiscal year.

The organization began working on two new significant training contracts during the fiscal year, as well as additional training offerings by the organizations. Furthermore, a number of trainings were able to be held in-person during the second half of the fiscal year, leading to increased expenses in this category when compared to the previous fiscal year.

FY22 EXPENSES



NET ASSETS

	<u>2022</u>	<u>2021</u>
Total revenue	\$ 16,487,817	\$ 16,824,318
Total expenses	17,074,735	15,870,647
Excess of revenues over expenses	(586,918)	953,671
Net assets beginning of year	6,162,717	5,209,046
Net assets at end of year	<u>\$ 5,575,799</u>	<u>\$ 6,162,717</u>
Net investment in capital assets	\$ 2,967	\$ 7,730
Unrestricted	4,524,174	5,147,911
Restricted	1,048,658	1,007,076
	<u>\$ 5,575,799</u>	<u>\$ 6,162,717</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, 2022

Assets

Current assets

Cash and cash equivalents	\$ 970,870
Restricted cash and cash equivalents	90,840
Investments	1,982,606
Receivables:	
Grants – federal	2,783,357
Grants – related party	2,731,067
Grants – private/other	103,802
Contributions	24,531
Prepaid items	93,098
Total current assets	<u>8,780,171</u>

Non-current assets

Lease asset, net	475,841
Property and equipment, net	2,967
Total non-current assets	<u>478,808</u>
Total assets	<u>\$ 9,258,979</u>

Liabilities

Current liabilities

Accounts payable	\$ 1,654,943
Accrued liabilities	157,040
Due to related parties	534,021
Unearned revenue	661,613
Lease liability	154,967
Due to outside agencies	90,840
Total current liabilities	<u>3,253,424</u>

Noncurrent liabilities

Lease liability	340,020
Accrued compensated absences	89,736
Total noncurrent liabilities	<u>429,756</u>
Total liabilities	<u>3,683,180</u>

Net Position

Net investment in capital assets	2,967
Restricted	1,048,658
Unrestricted	4,524,174
Total net position	<u>\$ 5,575,799</u>

See Notes to the Financial Statements

Children's Trust of South Carolina, Inc.

Statement of Activities

For the year ended September 30, 2022

Revenues

Program revenues:

Program specific operating grants:

Federal	\$ 8,955,044
State	5,663,100
Local and foundations	1,957,396

Contributions:

General public	277,423
Nonfinancial assets	7,937
Charges for services	125,694

General revenues:

Interest income and other revenue	7,457
Investment income (loss)	(506,234)
Total revenues	<u>16,487,817</u>

Operating expenses

Current operating

Prevention services	11,625,310
Communications and development	869,236
Education and professional development	1,058,944
Research and evaluation	1,214,547
Advocacy and policy	132,266
Program development and partnership convening	727,091
Administration and strategy	<u>1,447,341</u>
Total operating expenses	<u>17,074,735</u>
Change in net position	(586,918)

Net position, beginning of year

6,162,717

Net position, end of year

\$ 5,575,799

See Notes to the Financial Statements

Children's Trust of South Carolina, Inc.

Balance Sheet - General Fund

As of September 30, 2022

Assets

Cash and cash equivalents	\$ 970,870
Restricted cash and cash equivalents	90,840
Investments	1,982,606
Receivables:	
Grants – federal	2,783,357
Grants – related party	2,731,067
Grants – private/other	103,802
Contributions	24,531
Prepaid items	93,098
Total assets	<u>\$ 8,780,171</u>

Liabilities

Accounts payable	\$ 1,654,943
Accrued liabilities	157,040
Due to related parties	534,021
Unearned revenue	661,613
Due to outside agencies	90,840
Total liabilities	<u>3,098,457</u>

Fund balances

Nonspendable	93,098
Restricted	1,048,658
Unassigned	4,539,958
Total fund balances	<u>5,681,714</u>
Total liabilities and fund balances	<u>\$ 8,780,171</u>

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

Total Fund Balance of the General Fund \$ 5,681,714

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	2,967
Lease assets, net of amortization, are not current financial resources and are not included in the General Fund	475,841
Some liabilities are not due and payable in the current period and therefore are not reported in the General Fund:	
Lease liability	(494,987)
Accrued compensated absences	(89,736)
Total net position	<u>\$ 5,575,799</u>

See Notes to the 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, 2022

Revenues

Program revenues	
Program specific operating grants:	
Federal	\$ 8,955,044
State	5,663,100
Local and foundations	1,957,396
Contributions:	
General public	277,423
Nonfinancial assets	7,937
Charges for services	125,694
General revenues:	
Interest income and other revenue	7,457
Investment income (loss)	(506,234)
Total revenues	<u>16,487,817</u>

Operating expenditures

Prevention services	11,625,310
Communications and development	869,236
Education and professional development	1,058,944
Research and evaluation	1,214,547
Advocacy and policy	132,266
Program development and partnership convening	727,091
Administration and strategy	1,415,268
Total operating expenditures	<u>17,042,662</u>
Excess of expenditures over revenues	(554,845)
Net change in fund balance	(554,845)

Fund balance, beginning of year

6,236,559

Fund balance, end of year

\$ 5,681,714

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 \$ (554,845)

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)

Some expenses recorded in the Statement of Activities do not require the use
do not require the use of current financial resources and, therefore, are not reported
as expenditures in the General Fund.

Leases (19,146)

Compensated absences (8,164)

Net change in net position \$ (586,918)

See Notes to the Financial Statements

Children's Trust of South Carolina, Inc.

Notes to the Financial Statements

September 30, 2022

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's 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's 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, private foundations, 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 Annual Comprehensive 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.

Children's Trust of South Carolina, Inc.

Notes to the Financial Statements

September 30, 2022

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, Inc.

Notes to the Financial Statements

September 30, 2022

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, 2022.

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 consists of one month's health insurance premium paid to South Carolina Public Employee Benefit Authority (SC PEBA).

Capital assets:

As of September 30, 2022, 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. The right to use asset is amortized over 10 years.

Leases:

Children's Trust is a lessee for noncancellable leases of buildings and equipment. Children's Trust recognizes a lease liability and an intangible right-of-use lease asset in the government-wide financial statements. Children's Trust recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, Children's Trust initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Children's Trust determines the discount rate it uses to discount the expected lease payments to present value and the lease term. The lease term includes the noncancellable period of the lease. Children's Trust uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, Children's Trust generally uses its estimated borrowing rate as the discount rate for leases (See Note 6).

Children's Trust of South Carolina, Inc.

Notes to the Financial Statements

September 30, 2022

Note 1. Summary of Significant Accounting Policies, Continued

Leases, continued:

Children's Trust monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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 ten personal days off (PTO) during fiscal year 2022. 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: non-spendable, restricted, committed, assigned, and unassigned. Where applicable, these classifications are presented on the face of the general fund balance sheet. Children's Trust's highest level of decision-making authority is the Board of Directors. Children's Trust has reported a portion of fund balance as non-spendable and restricted, and the reasons are enumerated below.

The non-spendable 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.

Children’s Trust of South Carolina, Inc.

Notes to the Financial Statements

September 30, 2022

Note 1. 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’s 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.

New accounting pronouncements:

In June 2018, the GASB issued Statement No. 87, *Leases*, which provides guidance for lease contracts for nonfinancial assets—including vehicles, heavy equipment, and buildings but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses). Under the new standard, a lessee entity is required to recognize a lease liability and an intangible asset representing the lessee’s right to use the leased asset. A lessor entity is required to recognize a lease receivable and a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements. The provisions of Statement No. 87 are effective for reporting periods beginning after June 15, 2021. The adoption of this standard had a material effect on Children’s Trust’s financial statements in the current fiscal year (See Note 6).

Subsequent events:

Children’s Trust has evaluated events and transactions after September 30, 2022 through January 26, 2023, the date which the financial statements were available to be issued.

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, 2022:

Deposits held by financial institutions	\$ 1,032,112
Cash portion of investments	29,598
	<u>\$ 1,061,710</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, 2022, Children’s Trust had \$995,142 of deposits in excess of FDIC insurance coverage.

Children's Trust of South Carolina, Inc.

Notes to the Financial Statements

September 30, 2022

Note 2. 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.
- 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Domestic equity funds	\$ 1,145,812	\$ -	\$ -	\$ 1,145,812
Corporate bond funds	-	221,024	-	221,024
International equity funds	<u>615,770</u>	<u>-</u>	<u>-</u>	<u>615,770</u>
	<u>\$ 1,761,582</u>	<u>\$ 221,024</u>	<u>\$ -</u>	<u>\$ 1,982,606</u>

Children's Trust of South Carolina, Inc.

Notes to the Financial Statements

September 30, 2022

Note 2. Deposits and Investments, Continued

Fair value of investments, continued:

Investment income consisted of the following for the year ended September 30, 2022:

Interest and dividends earned	\$ 59,545
Realized gains (losses) on investments	11,698
Change in unrealized gains (losses)	(562,243)
Investment fees	<u>(15,234)</u>
Total investment income (loss)	<u>\$ (506,234)</u>

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

Note 3. Receivables

Receivables at September 30, 2022 were as follows:

Grants - federal	\$ 2,783,357
Grants - related party	2,731,067
Grants - private/other	103,802
Contributions	<u>24,531</u>
Total receivables	<u>\$ 5,642,757</u>

Management expects that all receivables will be collected.

Note 4. Capital Assets

Capital assets for Children's Trust as of September 30, 2022 was as follows:

Equipment and furnishings	\$ 50,822
Total capital assets at historical cost	50,822
Accumulated depreciation	<u>(47,855)</u>
Total capital assets, net	<u>\$ 2,967</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, 2022 includes accrued annual leave and a long-term lease (See Note 6). Long-term liability activity for the year ended September 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Annual leave	<u>\$ 81,572</u>	<u>\$ 294,659</u>	<u>\$ (286,495)</u>	<u>\$ 89,736</u>
Lease liability	<u>\$ -</u>	<u>\$ 638,986</u>	<u>\$ (143,999)</u>	<u>\$ 494,987</u>

Children’s Trust of South Carolina, Inc.

Notes to the Financial Statements

September 30, 2022

Note 6. Lease Obligations

Children’s Trust, as a lessee, recognizes a lease asset and lease liability at the commencement of the lease term, with certain exceptions for short-term leases and leases that transfer ownership of the underlying asset. As lessee, the right-of-use asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. The lease liability is measured at the present value of the lease payments expected to be made during the lease term.

For the purpose of GASB No. 87 implementation, Children’s Trust’s leases have been categorized as follows:

1. Included
2. Excluded - Short-term
3. Excluded - Cancellable

Included leases:

In accordance with GASB No. 87, Children’s Trust recognizes a lease asset and lease liability for leases that are categorized as Included. For these leases, Children’s Trust is reporting Lessee assets of \$638,986, net of accumulated amortization in the amount of \$163,145, the net book value of which is \$475,841 as of September 30, 2022. For the fiscal year ended September 30, 2022, Children’s Trust reported amortization expense of \$163,145 and interest expense of \$33,510 related to lease payments made during the year.

The GASB No. 87 Included Leases are summarized as follows:

Office Space:

In September 2015, Children’s Trust entered into a 123-month lease agreement as lessee for the use of office space at 1330 Lady Street Suite 310 Columbia, SC. Children’s Trust is required to make monthly lease payments which escalate every 12 months. Children’s Trust has estimated its borrowing rate to be 6% to determine the present value of its total lease payments.

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of September 30, 2022:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 154,967	\$ 25,496	\$ 180,463
2024	170,088	15,787	185,875
2025	<u>169,932</u>	<u>5,140</u>	<u>175,072</u>
	<u>\$ 494,987</u>	<u>\$ 46,423</u>	<u>\$ 541,410</u>

Excluded - short-term leases:

In accordance with GASB No. 87, Children’s Trust does not recognize a lease right of use asset and a deferred outflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Children's Trust of South Carolina, Inc.

Notes to the Financial Statements

September 30, 2022

Note 6. Lease Obligations, Continued

Excluded - cancelable leases:

In accordance with GASB No. 87, the Children's Trust does not recognize a lease right of use asset and a deferred outflow of resources for leases that are cancelable by either party. Cancelable leases are certain leases in which both the lessee and the lessor have the option to terminate the lease without permission from the other party.

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, \$367,432 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, 2022, Children's Trust received payments from state agencies in the amount of \$5,663,100, of which \$2,731,067 was receivable at September 30, 2022. The South Carolina Treasurer's Office transferred \$700,000 to Children's Trust for the Strengthening Families Program and \$200,000 for the Community Based Child Abuse Prevention Program as the organization's allocation in the States' budget for prevention services throughout the State. The South Carolina Department of Revenue collected \$32,574 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 \$3,494,536 for prevention and evaluation related services to include Greenville County First Steps - \$212,996; Lee County First Steps - \$391,262; MUSC - \$968,492; SC Office of Rural Health - \$447,455; Spartanburg County First Steps - \$372,892; University of South Carolina - \$681,731; York County First Steps - \$131,300; and payments to various other entities totaling \$288,408.

In addition to the payments for health insurance noted in Note 7, Children's Trust made additional payments to various other State entities totaling \$302,234 to include a SC Deferred Compensation payment for \$289,384 and payments to various other entities for \$12,850.

One of the members of Children's Trust's Board of Directors is also the owner of the investment management company used by Children's Trust. Investment management fees paid to the company were approximately \$15,000 for the year ended September 30, 2022.

Children’s Trust of South Carolina, Inc.

Notes to the Financial Statements

September 30, 2022

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, 2022, these grants constituted 89 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. 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, 2022, Children’s Trust contributed \$104,985 to the Plan.

Note 12. Contributions of Nonfinancial Assets

Nonfinancial contributions represent the value of donated goods at fair market value. For the year ended September 30, 2022, Children’s Trust received nonfinancial assets valued at \$7,937.

Note 13. Impacts of Market Conditions

Due to the Federal reserve’s aggressive cycle of rising interest rates to combat the unprecedented levels of inflation, the assets in the Children’s Trust portfolio decreased in value. Diversification and portfolio management helped relative performance, and the portfolio experienced no losses in capital that management has determined to be other than temporary.



**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***

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, 2022, 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 26, 2023.

Report on 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.

Report on 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 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 26, 2023



**Independent Auditor's Report on Compliance for Each Major
Federal Program and Report on Internal Control Over
Compliance in Accordance with the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Children's Trust and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Children's Trust's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Children's Trust's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Children's Trust's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Children's Trust's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Children's Trust's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Children's Trust's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Children's Trust's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Report on Internal Control Over Compliance, Continued

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Elliott Davis, LLC

Columbia, South Carolina
January 26, 2023

Children's Trust of South Carolina, Inc.

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S Department of Health and Human Services				
Community Based Child Abuse Prevention	93.590		\$ -	\$ 610,437
Maternal, Infant, and Early Childhood Home Visiting Program - Formula	93.870		6,561,310	8,344,975
Pass-through programs from:				
South Carolina Department of Health and Environmental Control				
Injury Prevention and Control Research and State and Community	93.136	1NU17CE925021-01	206,141	299,146
Comprehensive Community Approaches to Preventing Substance Use	93.421	6 NU380T000306-04-01	11,489	14,641
South Carolina Department of Alcohol and Other Drug Abuse Services				
South Carolina State Opioid Response Grant	93.788	CTR-SOR-22	191,061	278,355
Total U.S. Department of Health and Human Services			<u>6,970,001</u>	<u>9,547,554</u>
			Total Expenditures of Federal Awards	<u>\$ 6,970,001</u> <u>\$ 9,547,554</u>

See Notes to the Schedule of Expenditures of Federal Awards

Children's Trust of South Carolina, Inc.

Notes to the Schedule of Expenditures of Federal Awards September 30, 2022

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, 2022. 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 did not use the 10% de minimus indirect cost rate permitted by the Uniform Guidance but rather uses a negotiated indirect cost rate of 27.3%.

Children’s Trust of South Carolina
Schedule of Findings and Questioned Costs
September 30, 2022

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? No
- Significant deficiencies identified? None reported

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? No
- Significant deficiencies identified? 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)? No

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.870	Maternal, Infant, and Early Childhood Home Visiting Program - Formula

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

Auditee qualified as a low-risk auditee? Yes

Section II. Financial Statement Findings None reported

Section III. Federal Awards Findings None reported