

CHARLESTON ORPHAN HOUSE, INC. DBA
CAROLINA YOUTH DEVELOPMENT CENTER
NORTH CHARLESTON, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

**CAROLINA YOUTH DEVELOPMENT CENTER
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SEPTEMBER 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Charleston Orphan House, Inc.
North Charleston, South Carolina

We have audited the accompanying financial statements of Charleston Orphan House, Inc., DBA Carolina Youth Development Center (“a nonprofit organization”) which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors 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 the Charleston Orphan House, Inc. as of September 30, 2021 and 2020, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



January 12, 2022
Charleston, South Carolina

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020**

	2021	2020
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,227,789	\$ 1,188,350
Receivables	263,161	275,271
Unconditional promises to give, net	24,672	27,972
Prepaid expenses	81,518	50,464
Total Current Assets	1,597,140	1,542,057
<u>Non-Current Assets</u>		
Commissioner's fund investments, at fair value	262,009	231,394
Property and equipment, net	3,491,334	3,541,842
Total Non-Current Assets	3,753,343	3,773,236
Total Assets	\$ 5,350,483	\$ 5,315,293
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable - trade	\$ 32,349	\$ 16,679
Accrued payroll and related liabilities	148,586	187,255
Miscellaneous accrued expenses	15,539	36,022
Deferred revenue	47,066	45,259
Total Current Liabilities	243,540	285,215
Total Liabilities	243,540	285,215
<u>Net Assets</u>		
Without donor restrictions	4,701,675	4,605,487
With donor restrictions	405,268	424,591
Total Net Assets	5,106,943	5,030,078
Total Liabilities and Net Assets	\$ 5,350,483	\$ 5,315,293

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Client fees	\$ 732,941	\$ -	\$ 732,941	\$ 1,184,256	\$ -	\$ 1,184,256
USDA food and nutritional services	30,349	-	30,349	46,709	-	46,709
In-kind revenue	115,147	-	115,147	11,719	-	11,719
Contributions from:						
Charleston County School District	40,494	-	40,494	45,263	-	45,263
United Way	13,077	32,896	45,973	18,191	32,896	51,087
Community-Based Prevention Services	665,237	-	665,237	657,401	-	657,401
Other donations	449,298	7,501	456,799	629,430	90,000	719,430
Grants:						
Federal government grants	76,380	-	76,380	-	-	-
State government grants	578,147	-	578,147	477,084	-	477,084
Local government grants	63,117	-	63,117	29,339	-	29,339
Foundation grants	89,822	80,720	170,542	83,208	2,300	85,508
Corporate grants	51,761	68,989	120,750	83,950	76,000	159,950
Paycheck Protection Program	554,533	-	554,533	510,722	-	510,722
Other grants	116,742	-	116,742	202,113	-	202,113
Special events, net	64,873	-	64,873	13,724	-	13,724
Lease revenue	45,000	-	45,000	45,000	-	45,000
Miscellaneous income	4,755	-	4,755	10,141	-	10,141
Interest and dividend income	9,111	4,267	13,378	5,584	4,452	10,036
Net unrealized and realized gain on investments	28,325	-	28,325	6,774	5,400	12,174
Loss on disposition of equipment	(1,921)	-	(1,921)	-	-	-
Total support and revenue	<u>3,727,188</u>	<u>194,373</u>	<u>3,921,561</u>	<u>4,060,608</u>	<u>211,048</u>	<u>4,271,656</u>
Net assets released from restriction	<u>213,696</u>	<u>(213,696)</u>	<u>-</u>	<u>104,038</u>	<u>(104,038)</u>	<u>-</u>
Total support and revenue and net assets released from restriction	<u>\$ 3,940,884</u>	<u>\$ (19,323)</u>	<u>\$ 3,921,561</u>	<u>\$ 4,164,646</u>	<u>\$ 107,010</u>	<u>\$ 4,271,656</u>

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Total support and revenue and net assets released from restriction - continued	\$ 3,940,884	\$ (19,323)	\$ 3,921,561	\$ 4,164,646	\$ 107,010	\$ 4,271,656
Expenses						
Program services	3,345,600	-	3,345,600	3,613,009	-	3,613,009
Supporting services:						
Management and general	222,208	-	222,208	228,755	-	228,755
Fundraising	276,888	-	276,888	269,664	-	269,664
Total supporting services	499,096	-	499,096	498,419	-	498,419
Total expenses	3,844,696	-	3,844,696	4,111,428	-	4,111,428
Increase (decrease) in net assets	96,188	(19,323)	76,865	53,218	107,010	160,228
Net assets at beginning of year	4,605,487	424,591	5,030,078	4,552,269	317,581	4,869,850
Net assets at end of year	\$ 4,701,675	\$ 405,268	\$ 5,106,943	\$ 4,605,487	\$ 424,591	\$ 5,030,078

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
<u>Personnel</u>					
Salaries	\$ 2,020,052	\$ 85,434	\$ 133,423	\$ 218,857	\$ 2,238,909
Employee benefits	185,321	8,198	6,596	14,794	200,115
Payroll taxes and insurance	190,891	12,818	11,624	24,442	215,333
Total personnel	<u>2,396,264</u>	<u>106,450</u>	<u>151,643</u>	<u>258,093</u>	<u>2,654,357</u>
<u>Other functional expenses</u>					
Auditing and accounting	15,780	2,564	1,381	3,945	19,725
Client allowances and incentives	20,778	-	-	-	20,778
Contracted services	168,356	21,221	13,253	34,474	202,830
Depreciation	179,178	29,116	15,678	44,794	223,972
Development	1,469	158	66,267	66,425	67,894
Dues and subscriptions	17,822	3,180	1,505	4,685	22,507
Food	23,054	-	-	-	23,054
Insurance	56,288	10,234	4,925	15,159	71,447
Maintenance and repairs	42,547	1,718	282	2,000	44,547
Medical	5,910	23	12	35	5,945
Miscellaneous	48,508	6,292	3,253	9,545	58,053
Other service fees	123,960	11,863	6,046	17,909	141,869
Postage	2,718	413	1,527	1,940	4,658
Program materials	37,412	-	-	-	37,412
Supplies and equipment	30,609	2,502	5,761	8,263	38,872
Telephone	30,597	2,064	2,357	4,421	35,018
Travel	44,528	-	-	-	44,528
Utilities	79,668	9,671	1,764	11,435	91,103
Software and licenses	20,154	14,739	1,234	15,973	36,127
Total other functional expenses	<u>949,336</u>	<u>115,758</u>	<u>125,245</u>	<u>241,003</u>	<u>1,190,339</u>
Total expenses	<u>\$ 3,345,600</u>	<u>\$ 222,208</u>	<u>\$ 276,888</u>	<u>\$ 499,096</u>	<u>\$ 3,844,696</u>

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
<u>Personnel</u>					
Salaries	\$ 2,209,029	\$ 72,825	\$ 145,650	\$ 218,475	\$ 2,427,504
Employee benefits	271,583	17,108	11,915	29,023	300,606
Payroll taxes and insurance	165,486	5,299	11,816	17,115	182,601
Total personnel	<u>2,646,098</u>	<u>95,232</u>	<u>169,381</u>	<u>264,613</u>	<u>2,910,711</u>
<u>Other functional expenses</u>					
Auditing and accounting	10,720	1,742	938	2,680	13,400
Client allowances and incentives	30,222	-	-	-	30,222
Contracted services	203,111	33,686	31,899	65,585	268,696
Depreciation	161,103	26,180	14,097	40,277	201,380
Development	269	44	28,214	28,258	28,527
Dues and subscriptions	17,563	2,512	1,853	4,365	21,928
Food	53,635	71	344	415	54,050
Insurance	56,177	9,129	4,915	14,044	70,221
Maintenance and repairs	19,461	348	161	509	19,970
Medical	722	-	-	-	722
Miscellaneous	30,717	9,507	2,700	12,207	42,924
Other service fees	73,847	15,862	2,749	18,611	92,458
Postage	4,835	832	2,284	3,116	7,951
Rent - equipment	47,711	-	-	-	47,711
Supplies	80,806	7,270	4,112	11,382	92,188
Telephone	29,132	2,621	1,964	4,585	33,717
Travel	43,696	687	151	838	44,534
Utilities	82,657	8,797	1,837	10,634	93,291
Software and licenses	20,527	14,235	2,065	16,300	36,827
Total other functional expenses	<u>966,911</u>	<u>133,523</u>	<u>100,283</u>	<u>233,806</u>	<u>1,200,717</u>
Total expenses	<u>\$ 3,613,009</u>	<u>\$ 228,755</u>	<u>\$ 269,664</u>	<u>\$ 498,419</u>	<u>\$ 4,111,428</u>

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
<u>Cash Flows from Operating Activities:</u>		
Change in Net Assets	\$ 76,865	\$ 160,228
Adjustments to reconcile change in Net Assets to net cash provided by operating activities:		
Depreciation	223,972	201,380
Net realized and unrealized gain on investments	(28,325)	(12,174)
Net realized loss on disposition of property and equipment	1,921	-
(Increase) Decrease in assets:		
Unconditional promises to give	3,300	(1,867)
Receivables	12,110	57,912
Prepaid expenses and other assets	(31,054)	(19,945)
Increase (Decrease) in liabilities:		
Accounts payable	15,670	(49,037)
Accrued payroll	(38,669)	61,117
Miscellaneous accrued expenses	(20,483)	34,085
Deferred revenue	1,807	7,759
Net Cash Provided by Operating Activities	217,114	439,458
<u>Cash Flows from Investing Activities:</u>		
Net (purchases) proceeds from investments	(2,290)	2,512
Purchases of property and equipment	(175,385)	-
Net Cash (Used for) Provided by Investing Activities	(177,675)	2,512
Net Increase in Cash and Cash Equivalents	39,439	441,970
Cash and Cash Equivalents, Beginning of Year	1,188,350	746,380
Cash and Cash Equivalents, End of Year	\$ 1,227,789	\$ 1,188,350

See accompanying notes to financial statements.

**CAROLINA YOUTH DEVELOPMENT CENTER
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

1. NATURE OF OPERATIONS

Nature of Activities

The legal name of the organization is the Charleston Orphan House, Inc., but the popular name is referred to herein is the Carolina Youth Development Center (the “Center” or “CYDC”). Founded in 1790 as the Charleston Orphan House, Carolina Youth Development Center’s mission is to empower and equip our community’s most vulnerable children by providing a safe environment, educational support, and career readiness, in collaboration with families and community partners. Our vision is that all children will have loving and stable families and a nurturing community empowering them to lead successful lives.

CYDC provided prevention and intervention services for children in Charleston, Berkeley and Dorchester counties who are at risk for or who have been abused, neglected or abandoned. Services are based out of CYDC’s 16 acre campus in North Charleston, South Carolina and 30+ acre campus know as Callen-Lacey Center for Children in Moncks Corner, South Carolina.

Child Focused Services

Residential Services

When children arrive at Carolina Youth Development Center (CYDC) they are in need of a safe, stable place to call home. CYDC has been that home for thousands of children and youth over its 231 years, providing services and supports for children who have experienced trauma. A leader in the state of South Carolina for the comprehensive treatment for children and adolescents who have experienced emotional, physical and sexual trauma, CYDC serves the community with residential care facilities that provide temporary or long-term care and treatment. The four facilities include the Charleston Emergency Shelter (CES), Ledford House, Callen-Lacey Center for Children (CCLC) and NuHouse. NuHouse serves youth transitioning from foster care into adulthood.

While at CYDC, children are not only provided with a safe and supportive environment that helps introduce normalcy and consistency into their daily lives and activities, they also receive important trauma-informed assessment and support services designed to address each child's individual educational, emotional, physical and social needs. In close partnership with the South Carolina Department of Social Services (DSS), CYDC assists in the transition of the child back to home or to a more permanent home environment. At capacity, 68 children ages birth to 21 can be housed in CYDC facilities. The length of stay is typically decided by DSS and the court system and range from a few days to a few years. CYDC’s programs have been continuously accredited by the Council on Accreditation (COA) since 1980.

Educational and Enrichment services

CYDC is a partner of The Children's Defense Fund and offers a summer Freedom Schools program to provide enrichment through a model curriculum that supports children and families around five essential components: high-quality academic enrichment, parent and family involvement, civic engagement and social action, intergenerational leadership development, and nutrition, health and mental health. Freedom Schools program boosts student motivation to read, generates more positive attitudes toward learning, and connects the needs of children and families to the resources of their communities.

The Bakker Career Center and CYDC Center for Life are located on the North Charleston campus and provide educational and job skills training as well as enrichment activities like music, art and recreation to CYDC residents and youth in the community. Without family support to provide these experiences, residents and neighboring youth count on CYDC to guide and help them develop. Programming includes partnerships with local job training programs, artists, volunteer mentors and area businesses.

**CAROLINA YOUTH DEVELOPMENT CENTER
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

1. NATURE OF OPERATIONS – CONTINUED

Teen After-School Center

CYDC partners with the South Carolina Department of Juvenile Justice (DJJ) to host community Teen After-School Centers (TASCs). This nationally recognized program is specifically designed to improve youth social/emotional/behavioral health while preventing involvement in the juvenile justice system or likelihood of incarceration. In the program youth are served with structured time, activities, and supervision between the end of the school day and when parents return from work. Creating a safe, supportive after-school environment where youth can receive assistance with homework, enjoy a healthy snack and play with friends, improves child development and well-being.

Family-Focused Services

Community-Based Prevention Services

Empowering Families Network is our partnership program with Charleston and Berkeley County DSS to provide timely, integrated, culturally competent family strengthening and voluntary case management services to families with risk factors that could potentially result in harm to children if left unaddressed. The program aims to eliminate or significantly reduce identified risk factors for child abuse and neglect, and to enhance protective factors in families that result in the development of a plan to keep families together. An additional goal is to improve community networks that strengthen support systems for families in need.

Strengthening Families

CYDC delivers The Strengthening Families Program (SFP) in partnership with Children's Trust of South Carolina. SFP serves families with children ages 6 to 11 and is designed to help families develop positive discipline practices, stay resilient in tough times, reduce conflict, improve parenting skills, and assist children with social skills, relationships, and school performance. All of these factors play an important role in keeping families strong while protecting against potential abuse or neglect and adverse childhood experiences.

Participants complete a 14-session program over the course of several months. The sessions, which always begin with a family meal, typically last 2½ hours and include parents and children meeting separately to work with group leaders before coming together for shared activities to finish. Participants who successfully complete the 14-session program are recognized in a graduation celebration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Center have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires the Center to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center's management and the board of directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**CAROLINA YOUTH DEVELOPMENT CENTER
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Basis of Accounting

The accounts of the Center are maintained, and the financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Cash and Cash Equivalents

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

Investments

CYDC's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 8 for discussion of fair value measurements.

Investment income and gains are reported as unrestricted unless otherwise stipulated by donors. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. Unrealized gains and losses are included in the change in net assets.

- *Interest Rate Risk – Investments*

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Center's Investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

- *Credit Risk – Investments*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities.

- *Concentration of Credit Risk – Investments*

Concentration of credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Center's investment policy addresses credit risk by allocating its assets among a number of asset classes, which may include cost equivalents, and domestic and international fixed income securities.

Fair Value Measurements

Financial Accounting Standards Board (FASB) ASC Topic 820, "Fair Value Measurements and Disclosures (ASC 820) and defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC 820 was effective for the Center's financial assets and liabilities for the years ended September 30, 2021 and 2020.

**CAROLINA YOUTH DEVELOPMENT CENTER
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment and Depreciation

CYDC capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line and double declining balance methods based on the items' estimated useful lives ranging from 3 to 39 years.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged to programs and supporting services on the basis of time and expense analyses. Management and general expenses and fundraising expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of CYDC

Receivables

Receivables are stated at unpaid balances less amounts determined by management to be uncollectible. It is CYDC's policy to charge off an uncollectible receivable when management determines the receivable will not be collected based on experience, third-party contracts, and other circumstances. Accounts are considered delinquent when they are sixty days past due. Interest is not charged on past due accounts. At September 30, 2021 and 2020, no allowance was deemed necessary.

CYDC uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of September 30, 2021 and 2020, no allowance was deemed necessary.

Deferred Revenue

Payment received in advance of performance of services or delivery of goods' is reported as deferred revenue. Deferred revenue as of September 30, 2021 and 2020 is comprised of lease payments, client clothing allowances, and funds received from a partner agency.

Designation of Net Assets without Donor Restrictions

It is the policy of the Board of Directors of the Center to review program needs from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of program services.

Reclassification

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

Revenue Recognition

Revenue and Support - The majority of CYDC's revenue is derived from providing services to clients through government programs. Revenue is recognized once a client's paperwork has been properly approved by the referral agency and the service is provided.

Support is recognized as revenue when it is received or unconditionally pledged. Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

**CAROLINA YOUTH DEVELOPMENT CENTER
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Promises to Give - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

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

Donated Assets - Donations of property and equipment, marketable securities, and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation. Noncash donations are only recorded if the donation is for a product that CYDC needs and would have to purchase. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are recorded as net assets with donor restrictions. Absent donor stipulations regarding how long these donated assets must be maintained, CYDC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Income Taxes

CYDC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. The FASB provides guidance on the Center's evaluation of accounting for uncertainty in income taxes. Management evaluated the Center's tax position and concluded that the Center had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Estimates

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

Recent Accounting Pronouncements and Proposed Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit ("NFP") entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments in this ASU will improve financial reporting

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments will not change the recognition and measurement requirements.

ASU 2020-07 is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early application of the amendments is permitted. The amendments in this ASU should be applied on a retrospective basis.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“Topic 842”), which will require a lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only finance leases to be recognized on the balance sheet—Topic 842 will require both finance and operating leases to be recognized on the statements of financial position. Various subsequent accounting standards have been issued by the FASB that clarify, modify, or expand the guidance for Topic 842. In November 2019, the FASB issued ASU 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, which deferred the effective date of Topic 842, as amended, by one year. Additionally, in June 2020, the FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, which further deferred the effective date of Topic 842, as amended, by one additional year. The guidance set forth in Topic 842 is now effective for the Center for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted.

The Center is currently assessing the impact this recent accounting pronouncement will have on its financial statements.

3. CONCENTRATION OF CREDIT RISK

The Center's operations are concentrated in an industry that operates in a heavily regulated environment. The operations are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, South Carolina Department of Social Services (SCDSS). Such administrative directives, rules and regulations are subject to change. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Reimbursement rates provided to CYDC are at the discretion of the SCDSS.

Customers

During the years ended September 30, 2021 and 2020, CYDC received approximately 36% and 43% respectively, of its revenue, gains, and other support from the SCDSS. Related accounts receivable are approximately \$25,840 and \$34,209 as of September 30, 2021 and 2020, respectively.

Cash and Cash Equivalents

The Center maintains its cash balances at various financial institutions located in the state of South Carolina. These cash funds were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at September 30, 2021 and 2020. At September 30, 2021, \$623,190 of the Center's cash balances exceeded federally insured limits.

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3. CONCENTRATION OF CREDIT RISK - CONTINUED

Investments

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash deposits at a brokerage firm. The accounts at the brokerage firm contain cash and securities. Balances are insured up to \$500,000, with a limit of \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At September 30, 2021 and 2020, the Center was fully insured.

4. RECEIVABLES

Receivables are composed of the following at September 30:

	<u>2021</u>	<u>2020</u>
SC Department of Social Services	\$ 25,840	\$ 34,209
US Department of Agriculture	1,829	7,112
Strengthening Families	115,164	109,647
Charleston County School District	-	10,253
SC Department of Juvenile Justice	7,500	7,500
SC Office of Attorney General	67,447	83,275
Childrens Trust	8,806	12,825
Miscellaneous	<u>36,575</u>	<u>10,450</u>
Total	<u>\$ 263,161</u>	<u>\$ 275,271</u>

No allowance for doubtful accounts is deemed necessary as management expects to collect all receivables within one year.

5. UNCONDITIONAL PROMISES TO GIVE

The Center has received promises to give and the amounts still owed are recorded at their net realizable value based on the nature of the promise and expected receipt date. The unconditional promises to give consist primarily of pledges from organizations and individuals located in the Charleston, Berkeley, and Dorchester Counties.

Unconditional promises to give at September 30 are scheduled to be received within one year and consist of:

	<u>2021</u>	<u>2020</u>
Promises to give due in less than 1 year	\$ 24,672	\$ 27,972
Less: allowance for uncollectible promises to give	<u>-</u>	<u>-</u>
Unconditional promises to give, net	<u>\$ 24,672</u>	<u>\$ 27,972</u>

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6. COMMISSIONERS' FUND INVESTMENTS

The Commissioners' Fund (the Fund) consists of certain funds held by an investment manager in a combined trust fund. CYDC is entitled to use the corpus and income of the trust fund subject to any donor's restrictions and limitations which may exist with respect to the use of such funds. However, also included in the Fund are several other sub-funds which contain board designated and undesignated funds.

The Investments are composed of the following assets at September 30:

	2021		
	Cost	Fair Value	Unrealized Gains
Mutual funds - fixed income	\$ 109,125	\$ 110,182	\$ 1,057
Mutual funds - equities	108,906	151,827	42,921
	<u>\$ 218,031</u>	<u>\$ 262,009</u>	<u>\$ 43,978</u>
	2020		
	Cost	Fair Value	Unrealized Gains
Mutual funds - fixed income	\$ 105,929	\$ 111,881	\$ 5,952
Mutual funds - equities	103,437	119,513	16,076
	<u>\$ 209,366</u>	<u>\$ 231,394</u>	<u>\$ 22,028</u>

Of the \$262,009 held at September 30, 2021, \$215,163 was donor restricted, and the remainder was without donor restrictions. Of the \$231,394 held at September 30, 2020, \$210,895 was donor restricted, and the remainder was without donor restrictions.

Interest and dividend income on investments for years ended September 30, 2021 and 2020 were \$13,378 and \$10,036, respectively. Investment fees relating to the investments were \$3,315 and \$3,182 for the years ended September 30, 2021 and 2020, respectively, and are included on miscellaneous expenses under the management and general function. Management considers any difference between this approach and accounting principles generally accepted in the United States of America to be immaterial to the financial statements as a whole. Net realized and unrealized gains on investments for the year ended September 30, 2021 and 2020 were \$28,325 and \$12,174, respectively.

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The CYDC has adopted the provisions of FASB ASC 820 Fair Value Measurements and Disclosures for its financial assets and liabilities and is required to provide additional disclosures. FASB ASC 820 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The CYDC utilizes market data or assumptions that market participants would use in pricing the asset or liability. FASB ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES - CONTINUED

Prices for certain cash equivalents, such as money market mutual funds and investment securities are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

The CYDC does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the years ended September 30, 2021 and 2020.

There were no changes during the years ended September 30, 2021 and 2020 to the CYDC's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables sets forth by level within FASB ASC 820's fair value hierarchy, the CYDC's financial assets and liabilities accounted for at fair value on a recurring basis as September 30, 2021 and 2020. As required by FASB ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The CYDC's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	2021		
	Cost	Fair Value	Unrealized Gains
Mutual funds - fixed income	\$ 109,125	\$ 110,182	\$ 1,057
Mutual funds - equities	108,906	151,827	42,921
	\$ 218,031	\$ 262,009	\$ 43,978
	2020		
	Cost	Fair Value	Unrealized Gains
Mutual funds - fixed income	\$ 105,929	\$ 111,881	\$ 5,952
Mutual funds - equities	103,437	119,513	16,076
	\$ 209,366	\$ 231,394	\$ 22,028

The CYDC has \$1,227,789 and \$1,188,350 respectively, of cash including cash held in brokerage accounts, as of September 30, 2021 and 2020, which are not classified as a Level as prescribed within FASB ASC 820.

The determination of the fair value above incorporates various factors required under FASB ASC 820. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the CYDC's nonperformance risk on its liabilities.

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8. LEASING ACTIVITIES

CYDC has a non-cancelable operating lease agreement with the Charleston County School District (the District). Under the agreement, the District will lease a portion of the CYDC's property on which the District has constructed a Special Day School. The District is responsible for maintenance and repairs. District may renew the lease four times for five years each. The annual lease amount will be adjusted to the fair market rental rate prior to each renewal term. Lease revenue for each of the years ended September 30, 2021 and 2020 was \$45,000. Deferred revenue associated with the lease is \$37,500 for each of the years ended September 30, 2021 and 2020. Minimum lease payments receivable from the District are \$45,000 each year through the end of fiscal year September 2037.

9. PROPERTY AND EQUIPMENT

Property and equipment, net, consists of the following at September 30:

	2021	2020
Land	\$ 667,557	\$ 667,557
Buildings and improvements	6,388,627	6,350,627
Office equipment and furniture	468,318	368,795
Vehicles	146,589	162,545
Construction in progress	36,195	10,000
Total cost excluding leased property and equipment	7,707,286	7,559,524
Accumulated depreciation	(4,215,952)	(4,018,425)
Net property and equipment excluding leased equipment	3,491,334	3,541,099
Leased equipment	21,163	21,163
Accumulated depreciation	(21,163)	(20,420)
Net leased equipment	-	743
Net property and equipment	\$ 3,491,334	\$ 3,541,842

Depreciation expense for the years ended September 30, 2021 and 2020, was \$223,972 and \$201,380, respectively.

Land and buildings valued at \$648,000 and \$323,000, respectively, were donated by the City of Charleston to CYDC during the year ended September 30, 1988. The deed contains a reverter clause which states "for so long as said property is used as a site for a residential children's treatment center operated by a non-profit organization." The CYDC has and continues to utilize this property as a core part of its mission, and considers any trigger of this reverter clause as highly remote.

10. RETIREMENT PLAN

During 2009, CYDC established a salary deferral plan under Section 403(b) of the Internal Revenue Code. This plan became effective on January 31, 2009, and replaced the 401(k) plan that was previously in effect. The salary deferral plan under Section 401(k) of the Internal Revenue Code was in effect through January 30, 2009. Under the terms of both the old plan and the new plan, CYDC matches up to 50% of the first 5% of all eligible participants' compensation. An employee becomes eligible to receive matching contributions in the salary deferral plan after attaining 21 years of age and completing 12 months and 1,000 hours of service. Participants become fully vested in the employer's contributions to the plan after five years of service at a rate of 25% per year in years two through five.

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10. RETIREMENT PLAN - CONTINUED

In 2010, CYDC established another salary deferral plan under Section 457 of the Internal Revenue Code with the same matching provisions as in the Section 403(b) plan. The only material difference is that an employee can contribute a greater amount to the Section 457 plan than the Section 403(b) plan. Effective April 1, 2019, participants become fully vested in the employer's contributions to the plan immediately after such amounts are contributed to the Plan and CYDC matches up to 50% of the first 10% of all eligible participants' compensation. Total expense recorded for the years ended September 30, 2021 and 2020 for the CYDC's match under the 403(b) plan and the 457 plan was \$18,339 and \$12,481, respectively.

11. COMPENSATED ABSENCES

All regular full-time and permanent part-time employees of CYDC who work a minimum of 20 hours per week are granted vacation benefits in varying amounts depending on length of service with CYDC. Annual leave benefits are earned after an employee has completed a minimum of three months of employment. Employees may carry over a maximum of 80 hours of vacation leave each year.

Accumulated vacation leave is recorded as an expense and a liability as benefits accrue to employees. The value of accumulated vacation leave is estimated to be \$70,654 and \$56,740 at September 30, 2021 and 2020, respectively.

12. LEASE COMMITMENTS

On November 7, 2018, CYDC signed an operating lease agreement with Pitney Bowes for a postage machine. The lease calls for minimum quarterly payments of \$630 per quarter through December 2023.

On February 1, 2020, CYDC entered a 3-year operating lease with SAFY Holding Company for ten computers. The lease calls for minimum monthly payments of \$300 through March 2023.

On March 27, 2020, CYDC entered into a 5-year operating lease for four Cannon copier machines with minimum monthly payments of \$1,241, expiring March 2025.

On September 30, 2020, CYDC entered into another 5-year operating lease for four Cannon copier machines with minimum monthly payments of \$1,359, expiring October 2025.

Future minimum payments by year in the aggregate under the operating leases consisted of the following as of September 30, 2021:

2022	\$	37,320
2023		35,520
2024		31,830
2025		23,754
Thereafter		1,359
Total minimum lease payments	\$	129,783

Lease expense for the year ended September 30, 2021 and 2020 was \$37,320 and \$11,766, respectively.

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13. NET ASSETS

Donor imposed restrictions on net assets are available for the following purposes as of September 30:

	2021	2020
Donor-restricted endowments subject to spending policy and appropriation, to support the following purposes:		
Client needs	\$ 48,915	\$ 48,915
Annual picnic	10,000	10,000
Scholarships/education	10,000	10,000
Christmas gifts	5,000	5,000
College loans	5,000	5,000
	78,915	78,915
Net assets restricted for purpose:		
Future periods	76,885	35,895
Annual picnic	52,673	51,024
Scholarships/education	58,880	57,086
Christmas gifts & prizes	24,695	23,871
PAL House renovations	-	12,500
Campus improvements	80,720	-
Children supplies/equipment	25,000	15,300
Security/Safety upgrades	-	90,000
Cottage improvements	-	60,000
Staff training	7,500	-
	326,353	345,676
	\$ 405,268	\$ 424,591

14. IN-KIND SUPPORT

In-kind support amounts were recorded as revenue with corresponding amounts recorded as either expenses or assets, depending on the nature of the support. For the years ended September 30, 2021 and 2020, these amounts were as follows:

	2021	2020
Contracted services	\$ 56,612	\$ 10,000
Supplies	1,840	1,719
Building improvements	56,695	-
	\$ 115,147	\$ 11,719

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15. TRUST AND ENDOWMENT FUNDS

CYDC is the beneficiary of income from a trust fund, referred to as the Trustees' Fund, and two endowment funds. The corpus of these funds is not recorded in these financial statements since Carolina Youth Development Center is not the trustee of the funds; it is only the beneficiary of the income. Income is reported when received.

An 1808 City of Charleston Ordinance established that the trustees of the Trustees' Fund are the Mayor, the Chairman of the Commissioners of the Orphan House, and the City Treasurer. The Court of Common Pleas #79-CP~10-205 in June of 1979, states the "Commissioners have available to it the income from the funds administered by the Trustees of the Trustee Funds, but have no control of, or right to, the principal of the funds, nor any right to withdraw the Trustees Funds or the income there from. The trustees of the Trustee Funds are authorized and directed to pay over income involving any accrued income from the Trustee Funds to the Charleston Orphan House, Inc."

In 2015, the Court of Common Pleas #2011-CP-10-7896 granted the use of \$300,000 of the Trustee Funds in order to provide a bridge to pay for existing operations while the Center transitions to revenue producing, self-sustaining programs. The Center received the funds during the year ended September 30, 2017. The fair market value of the Trustees' Funds as of September 30, 2021 and 2020 was \$598,087 and \$512,844, respectively. Contributions received from this Trust for the years ended September 30, 2021 and 2020, were \$0.

CYDC is also the beneficiary of the income from two endowment funds held by the Coastal Community Foundation of South Carolina, Inc. The two endowment funds are the Rosa Strait Endowment for youth education and the Zucker Family Endowment for CYDC. Any income earned by these two endowments may be paid to CYDC at the discretion of the Board of Directors of The Coastal Community Foundation of South Carolina, Inc. The principal of these endowments may not be invaded.

The fair market value of these endowment funds as of September 30, 2021 and 2020 was as follows:

	2021	2020
Rosa Strait Endowment for youth education	\$ 216,191	\$ 177,848
Zucker Family Endowment for CYDC	253,415	208,558
	\$ 469,606	\$ 386,406

Total income received from the funds in the years ended September 30, 2021 and 2020 was approximately \$14,490 and \$14,316, respectively. On the Statements of Activities, these amounts are included in foundation grant income.

16. RELATED PARTIES

During the years ended September 30, 2021 and 2020, board members made contributions of \$30,891 and \$252,933, respectively to CYDC in support of its programs.

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17. AVAILABILITY OF FINANCIAL RESOURCES

The following represents the Center’s financial assets at September 30, 2021 and 2020, less amounts not available to use within the next year under contractual obligations and donor restrictions:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 1,227,789	\$ 1,188,350
Receivables	263,161	275,271
Unconditional promises to give, net	24,672	27,972
Commissioner's fund investments, at fair value	262,009	231,394
Total financial assets	1,777,631	1,722,987
Less those unavailable for general expenditures within on year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(326,353)	(345,676)
Donor-restricted endowment	(78,915)	(78,915)
	(405,268)	(424,591)
Financial assets available to meet general expenditures over the next twelve months	\$ 1,372,363	\$ 1,298,396

18. PAYCHECK PROTECTION PROGRAM

On April 27, 2020, CYDC received a \$510,722 Paycheck Protection Program (“PPP”) loan from the US Small Business Administration (“SBA”) through a commercial lender. The loan was forgivable under expanding terms if CYDC was able to retain employees and expend funds under the criteria of the PPP. CYDC met the terms of PPP forgiveness and applied for and received approval for forgiveness of this note during the 2020 fiscal year.

On April 25, 2021, the Center received a second Paycheck Protection Program (“PPP”) loan in the amount of \$554,533 from the US Small Business Administration (“SBA”) through a commercial lender. The loan also is forgivable under defined terms

In accordance with generally accepted accounting principles in the United States of America (US GAAP), an organization can elect to treat a PPP note as federal financial assistance if it is probable it will meet the PPP forgiveness criteria at the time of note issuance or during the term of the related note. Accordingly, CYDC has treated the forgiveness as federal financial assistance, and not gain on forgiveness of debt under US GAAP. Further, CYDC presented such federal financial assistance in the operating section of the statements of cash flows versus the financing section under these standards.

19. SUBSEQUENT EVENTS

In accordance with ASC 855, management evaluated subsequent events at September 30, 2021 through January 12, 2022 the date these financial statements were available to be issued. Based upon this evaluation, there were no material adjustments or disclosures to these financial statements, except as noted below.

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19. SUBSEQUENT EVENTS - CONTINUED

The COVID-19 pandemic has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent and duration to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Center's programs, interrupt staff, reduce access to supplies and services, and the U.S. economy. Furthermore, there is a possibility of closure by government or state order for a period of time in response to COVID-19. The full impact on the operational and financial activity cannot be estimated at this time.

On October 29, 2021, CYDC received notice of forgiveness on its \$554,533 second Payroll Protection Program ("PPP") loan from the US Small Business Administration ("SBA").

On October 29, 2021, CYDC sold approximately 26 acres of land associated with its Moncks Corner campus for \$1,200,000.