

Greenville County First Steps to School Readiness Partnership Board  
Greenville, South Carolina

In planning and performing our audit of the financial statements of Greenville County First Steps to School Readiness Partnership (the "Partnership") as of and for the year ended June 30, 2015 in accordance with auditing standards generally accepted in the United States of America, we considered the Partnership's internal control over financial reporting ("internal control") as a basis for designing auditing 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 the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Partnership's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the use of the Board of Directors, Regional Finance Manager, and management of the Partnership and is not intended to be and should not be used by anyone other than these specified parties.

*Scott and Company LLC*

Columbia, South Carolina  
May 12, 2016

*Comments Directly Related to Partnership*

None.

*Comments Directly Related to Regional Finance Manager*

None.

Independent Auditor's Report on  
Audits of Financial Statements of

Greenville County First Steps

to School Readiness Partnership

*for the years ended June 30, 2015 and 2014*

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## Independent Auditor's Report

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To the Board of Directors  
Greenville County First Steps to School Readiness Partnership  
Greenville, South Carolina

We have audited the accompanying financial statements of Greenville County First Steps to School Readiness Partnership, a South Carolina non-profit corporation, (the "Partnership"), which comprise the statements of revenues, expenses, and changes in net assets - modified cash basis as of and the years ended June 30, 2015 and 2014, and the related statements of functional expenses - modified cash basis, 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership'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 Partnership'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 fairly present, in all material respects, the assets, liabilities, and net assets of the Partnership as of June 30, 2015 and 2014, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Scott and Company LLC*

Columbia, South Carolina

May 12, 2016

**Greenville County First Steps to School Readiness Partnership**  
**Statements of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis**  
**for the years ended June 30,**

<u>Temporarily restricted net assets:</u>	2015	2014
Revenues:		
Grant revenues - South Carolina Office of First Steps to School Readiness:		
State allocation	\$ 996,431	\$ 997,007
Education Improvement Act	94	2,270
Federal	53,820	44,271
Interest income	97	86
Contribution income	192,451	758,730
Total revenues	1,242,893	1,802,364
Net assets released from temporary restrictions	(1,159,303)	(1,790,774)
Change in temporarily restricted net assets	83,590	11,590
 <u>Unrestricted net assets:</u>		
Net assets released from temporary restrictions	1,159,303	1,790,774
Expenses:		
County operations	160,113	165,789
Family strengthening	259,604	852,350
School transition	8,043	3,597
Child care quality	561,516	769,038
Healthy start	170,027	-
Total expenses	1,159,303	1,790,774
Change in unrestricted net assets	-	-
Change in net assets	83,590	11,590
 <u>Net assets at beginning of the year:</u>		
Cash	901,701	929,391
Accounts receivable	18,230	-
Accounts payable	(58,326)	(79,376)
	861,605	850,015
 <u>Net assets at end of the year:</u>		
Cash	959,667	901,701
Accounts receivable	79,714	18,230
Prepaid expenses	13,500	-
Accounts payable	(107,686)	(58,326)
	\$ 945,195	\$ 861,605

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

**Greenville County First Steps to School Readiness Partnership  
Statement of Functional Expenses - Modified Cash Basis  
for the year ended June 30, 2015**

	Administrative		Program					Total
	County operations	Family strengthening	School transition	Child care quality	Healthy start			
Salaries	\$ 66,241	-	-	\$ 75,700	\$ 67,304	\$	209,245	
Payroll taxes	4,700	-	-	6,046	4,962		15,708	
Fringe benefits	30,926	-	-	1,899	10,439		43,264	
Office rent	7,626	-	-	6,974	-		14,600	
Professional development	885	-	-	1,250	3,324		5,459	
Office supplies	1,686	-	-	-	-		1,686	
Insurance (non-health)	6,619	-	-	-	-		6,619	
Board expense	2,183	-	-	-	-		2,183	
Advertising	26,766	-	-	5,533	-		32,299	
Travel	6,947	-	-	-	411		7,358	
Miscellaneous	5,534	-	-	-	-		5,534	
Program purchased supplies	-	2,114	2,984	-	47,436		52,534	
Program purchased services	-	257,490	5,059	464,114	36,151		762,814	
	\$ 160,113	\$ 259,604	\$ 8,043	\$ 561,516	\$ 170,027	\$	1,159,303	

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



**Greenville County First Steps to School Readiness Partnership**  
**Statement of Functional Expenses - Modified Cash Basis**  
**for the year ended June 30, 2014**

	Administrative		Program				Total
	County operations	\$	Family strengthening	School transition	Child care quality	\$	
Salaries	37,742	\$	-	-	-	\$	184,309
Payroll taxes	2,496		-	-	11,455		13,951
Fringe benefits	27,298		-	-	2,836		30,134
Consultants	26,000		-	-	-		26,000
Office rent	7,426		-	-	5,174		12,600
Professional development	2,386		-	-	661		3,047
Office equipment-rent	-		-	-	207		207
Office equipment-purchase	1,178		-	-	3,411		4,589
Office supplies	6,862		-	-	364		7,226
Insurance (non-health)	6,548		-	-	-		6,548
Board expense	5,510		-	-	-		5,510
Advertising	35,907		-	-	5,730		41,637
Travel	3,031		-	-	2,521		5,552
Miscellaneous	3,405		-	-	-		3,405
Program purchased supplies	-		21,361	-	39,880		61,241
Program purchased services	-		830,589	3,597	550,232		1,384,418
Program purchased equipment	-		400	-	-		400
	\$ 165,789	\$	\$ 852,350	\$ 3,597	\$ 769,038	\$	\$ 1,790,774

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

Greenville County First Steps to School Readiness Partnership  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies**

**Organization and Purpose** – The Partnership is a non-profit entity organized under the laws of South Carolina with the intent of improving early childhood development. The Partnership provides services directly or contracts with third parties to provide services and support to children and their families to enable children to reach school ready to learn; to establish goals for this initiative; to provide programs and services which impact children and families during the first years of a child's life.

The Partnership's stated goals are to (1) provide parents with access to the support they might seek and want to strengthen their families and to promote the optimal development of their preschool children; (2) increase comprehensive services so children have reduced risk for major physical, developmental, and learning problems; (3) promote high quality preschool programs that provide a healthy environment that will promote normal growth and development; (4) provide services so all children receive the protection, nutrition, and health care needed to thrive in the early years of life so they arrive at school ready to learn; and (5) mobilize communities to focus efforts on providing enhanced services to support families and their young children so as to enable every child to reach school healthy and ready to learn.

**Basis of Accounting** – The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Program revenues are recognized when properly earned and realizable. Expenses are recorded in the period in which they are incurred.

The basis of accounting adopted by the Partnership differs from generally accepted accounting principles primarily because it recognizes long lived assets and other costs which benefit more than one period as expenses in the year purchased, and it recognizes certain expenses when paid such as vacation and sick time for employees.

**Support and Revenue** – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

Note that there was a significant decrease in support and expenses for the Partnership in 2015 due to the Nurse Family Partnership funds being paid directly to vendors, as opposed to passing through the Partnership as they did in 2014.

Greenville County First Steps to School Readiness Partnership  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (continued)**

**Support and Revenue (continued)** - A restriction expires when a stipulated time restriction ends or purpose restriction is accomplished. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Substantially all the support and revenue received by the Partnership is considered to be temporarily restricted as the Partnership is obligated to spend the amounts received consistent with the instructions from the contributor, including South Carolina First Steps State Board of Trustees, as to their intended use. Revenues are shown net of any amounts refunded to the funding source.

**Income Taxes** - The Internal Revenue Service has approved the Partnership's exemption from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code and comparable state law, whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax.

The basis of accounting followed by the Partnership, as previously described in Note 1 to these financial statements, requires management to evaluate tax positions taken by the Partnership and recognize a tax liability (or asset) if the Partnership has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Partnership, and has concluded that as of June 30, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Partnership is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The following years are subject to examination by major tax jurisdictions at June 30, 2015:

Federal	2012 - 2015
South Carolina	2012 - 2015

**Use of Estimates** - The basis of accounting followed by the Partnership, as previously described in Note 1 to these financial statements, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Greenville County First Steps to School Readiness Partnership  
Notes to Financial Statements

**Note 1. Summary of Significant Accounting Policies (continued)**

**Cash** – The Partnership maintains its cash in bank deposit accounts with financial institutions located in the state of South Carolina and generally limits its exposure to credit risk from balances on deposit with the financial institutions in excess of the Federal Deposit Insurance Corporation (“FDIC”) insured limit. At times, such deposits may be in excess of FDIC insured limits. At times such deposits may be in excess of FDIC insured limits. The Partnership has additional insurance/securities in place for deposits in excess of FDIC limits.

**Accounts Receivable** – The Partnership’s accounts receivable are due from the South Carolina State Office of First Steps and other contributors.

**Contributed Services** – Contributed services normally would be recorded under generally accepted accounting principles that (a) create or enhance non-financial assets or require specialized skills, (b) are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. A substantial number of unpaid volunteers have made significant contributions of their time to develop the Partnership’s programs. The value of this contributed time is not reflected in these financial statements since it does not meet the revenue recognition criteria as defined by the modified cash basis of accounting.

**Advertising Costs** – Advertising costs are expensed as incurred. Advertising costs expensed for the years ended June 30, 2015 and 2014 were approximately \$32,000 and \$42,000, respectively.

**Note 2. Related Party Transactions**

The board members of the Partnership are representative of various organizations that in certain instances benefit from actions taken by the board. Board members disclosed these relationships and transactions as appropriate under the Partnership’s policies and as required by law. It is the policy of the Partnership that board members not be involved with decisions regarding organizations they represent.

Certain board members are members of management of certain of the Partnership’s contractors. The Partnership consummated arm’s length transactions with these entities to provide certain services related to the mission of the Partnership. The Partnership has recognized approximately \$249,000 and \$849,000 as expense for the years ended June 30, 2015 and 2014, respectively, related to the services provided by these contractors.

Greenville County First Steps to School Readiness Partnership  
Notes to Financial Statements

**Note 3. Concentrations of Risks**

The Partnership receives substantially all of its funding through the South Carolina Office of First Steps to School Readiness. Future funding is dependent upon annual evaluation of the Partnership's effectiveness and availability of amounts as appropriated by the South Carolina General Assembly to the South Carolina Office of First Steps to School Readiness for distribution to county First Steps Partnerships, of which the Partnership is one of forty-six partnerships receiving funding. The South Carolina First Steps to School Readiness legislative authorization is projected to end on July 1, 2016. However, the South Carolina First Steps to School Readiness' Board of Trustees is working closely with the legislative Office of First Steps Study Committee to extend its authorization beyond June 30, 2016.

The Partnership enters into various contracts with third parties for the performance of certain services consistent with the organization and purpose of the Partnership. The contracts vary in length, however are generally one year or less and are subject to annual renegotiation. Substantially all amounts as shown in the statements of functional expenses, with the exception of those amounts expensed for administrative functions, were expenses associated with services and goods contracted for by the Partnership and provided by third parties, for the benefit of improving early childhood development on behalf of the Partnership.

**Note 4. Retirement Plan**

The Partnership provides a defined contribution retirement plan for full-time permanent employees. All full-time employees of the Partnership who are at least eighteen are eligible to participate in the plans and are eligible for employer matching contributions up to 4% of salary. Participant contributions are limited to the lesser of 100% of each participant's annual compensation or \$17,500. Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. Employees are fully vested in the plan immediately. The Partnership made contributions of approximately \$7,000 and \$6,200 for the years ended June 30, 2015 and 2014, respectively.

**Note 5. Subsequent Events**

The Partnership has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2015, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through May 12, 2016, the date these financial statements were available to be issued and did not identify any matters that required further disclosure.

May 12, 2016

To the Board of Directors, Regional Finance Manager, and Management of  
Greenville County First Steps to School Readiness Partnership

We have audited the financial statements of Greenville County First Steps to School Readiness partnership (the "Partnership") for the year ended June 30, 2015, and have issued our report thereon dated May 12, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 9, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Partnership are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Partnership's basis of accounting is described in Note 1 to the financial statements. The financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of auditing procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. See the attachment to this letter for a listing of all corrected misstatements.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 12, 2016.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Partnership's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Partnership's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors, Regional Finance Manager and management of the Partnership and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Scott and Company LLC*

Attachment:

Adjusting journal entries

**Please return to the auditors after signing below.**

**I have read the above communication and my signature below is evidence of my receipt of the communication from the auditors.**

Signed: \_\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Danny Varat, Board Chair

First Steps - Greenville County:28400-23

Year End: June 30, 2015

Adjusting Journal Entries

Date: 7/1/2014 To 6/30/2015

Prepared by	Reviewed by	Reviewed by	Reviewed by
SR 4/22/2016	MJS 4/29/2016		

2260

Number	Date	Name	Account No	Reference Annotation	Debit	Credit	Recurrence	Misstatement
1	6/30/2015	Contributions Revenue	25-4050-2140-14-23		698,200.00			
1	6/30/2015	Contributions Revenue	25-4050-7032-14-23		100,000.00			
1	6/30/2015	Home Visitor Salaries	25-5355-2140-14-23			400,000.00		
1	6/30/2015	Payroll Taxes (FICA)	25-5365-2140-14-23			37,178.00		
1	6/30/2015	Fringe Benefits	25-5366-2140-14-23			261,022.00		
1	6/30/2015	Scholarships (Child Care)	25-5375-7032-14-23			100,000.00		
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2	6/30/2015	Greenville Checking - July 1, 2011	10-1223-0000-14-23		8,874.00			
2	6/30/2015	Advertisements	20-5197-8022-14-23			1,537.00		
2	6/30/2015	Office supplies (postage, copies...)	55-5175-1012-14-23			154.00		
2	6/30/2015	Board Expenses	55-5190-1012-14-23			441.00		
2	6/30/2015	Miscellaneous	55-5199-1012-14-23			622.00		
2	6/30/2015	Other Materials	55-5302-8022-14-23			6,120.00		
To void check #7171 and removed related expenses booked twice. Reissued as check # 7229 on 6/6/2015.								
<hr/>								
3	6/30/2015	Net Assets	10-3900-1012-14-23		9.00			
3	6/30/2015	Miscellaneous	55-5199-1012-14-23			9.00		
To Adjust Retained Earnings.								
					<b>807,083.00</b>	<b>807,083.00</b>		
			<b>Net Income (Loss)</b>		<b>83,590.00</b>			