

Report on Audits of Financial Statements of  
Greenville County First Steps  
to School Readiness Partnership  
*for the years ended June 30, 2012 and 2011*

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Independent Auditor's Report

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

We have audited the accompanying statements of revenues, expenses, and changes in net assets - modified cash basis of Greenville County First Steps to School Readiness Partnership, a South Carolina non-profit corporation, (the "Partnership"), as of and for the years ended June 30, 2012 and 2011, and the related statements of functional expenses - modified cash basis, for the years then ended. These financial statements are the responsibility of the Partnership's management. 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. In addition, we conducted the 2011 audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In accordance with *Government Auditing Standards*, we also issued our report, dated March 13, 2012, on our consideration of the Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Greenville County First Steps to School Readiness Partnership as of June 30, 2012 and 2011, and its revenues and expenses for the years then ended, on the basis of accounting described in Note 1.

*Scott and Company LLC*

Columbia, South Carolina  
April 15, 2013

**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>2012</u>	<u>2011</u>
Temporarily restricted net assets:		
Revenues:		
Grant revenues - South Carolina Office of First Steps to School Readiness:		
State allocation	\$ 1,022,891	\$ 367,892
State private	-	2,250
Education Improvement Act	76,919	67,387
Federal	73,800	559,916
Interest income	142	856
Contribution income	350,881	599,718
Total revenues	<u>1,524,633</u>	<u>1,598,019</u>
Net assets released from temporary restrictions	<u>(1,277,375)</u>	<u>(1,638,113)</u>
Change in temporarily restricted net assets	<u>247,258</u>	<u>(40,094)</u>
Unrestricted net assets:		
Net assets released from temporary restrictions	<u>1,277,375</u>	<u>1,638,113</u>
Expenses:		
County operations	155,618	68,226
Family strengthening	629,341	320,732
Early education programs	263,093	245,623
School transition	10,064	22,686
Child care quality	219,259	173,080
Healthy start	-	807,766
Total expenses	<u>1,277,375</u>	<u>1,638,113</u>
Change in unrestricted net assets	<u>-</u>	<u>-</u>
Change in net assets	<u>247,258</u>	<u>(40,094)</u>
Net assets at beginning of the year:		
Cash	769,774	992,629
Accounts receivable	56,609	261
Accounts payable	(44,103)	(170,516)
	<u>782,280</u>	<u>822,374</u>
Net assets at end of the year:		
Cash	1,077,606	769,774
Accounts receivable	572	56,609
Accounts payable	(48,640)	(44,103)
	<u>\$ 1,029,538</u>	<u>\$ 782,280</u>

*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, 2012**

	Administrative		Programs						Total
	County operations	Family strengthening	Early education	School transition	Child care quality				
Salaries	\$ 60,834	\$ 5,000	\$ 63,178	\$ -	\$ -	\$ 15,696	\$ 144,708		
Payroll taxes	4,817	383	4,430	-	-	1,137	10,767		
Fringe benefits	21,261	117	7,763	-	-	4,084	33,225		
Consultants	40,433	-	-	-	-	-	40,433		
Office rent	6,900	-	3,850	-	-	6,900	17,650		
Professional development	3,310	-	-	-	-	-	3,310		
Telephone	703	-	-	-	-	-	703		
Office equipment-rent	182	-	-	-	-	-	182		
Office equipment-purchase	1,252	-	-	-	-	-	1,252		
Office supplies	1,636	-	-	-	-	-	1,636		
Insurance (non-health)	6,334	-	-	-	-	-	6,334		
Board expense	802	-	-	-	-	-	802		
Travel	3,202	-	1,525	-	-	362	5,089		
Miscellaneous	3,952	-	-	-	-	-	3,952		
Program purchased supplies	-	64,127	10,347	1,699	-	11,500	87,673		
Program purchased services	-	552,714	172,000	8,365	-	179,580	912,659		
Program purchased equipment	-	7,000	-	-	-	-	7,000		
	<b>\$ 155,618</b>	<b>\$ 629,341</b>	<b>\$ 263,093</b>	<b>\$ 10,064</b>	<b>\$ 219,259</b>	<b>\$</b>	<b>\$ 1,277,375</b>		

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, 2011

	Administrative		Program							Total
	County	operating	Family strengthening	Early education	School transition	Child care quality	Healthy start			
Salaries	\$ 26,500		\$ 7,000	\$ 35,000	\$ -	\$ 69,923	\$ 29,498	\$ -	167,921	
Payroll taxes	2,018		536	2,452	-	5,272	2,219	-	12,497	
Fringe benefits	4,975		500	2,506	-	19,424	5,902	-	33,307	
Consultants	7,850		-	-	-	-	-	-	7,850	
Office rent	7,232		-	3,616	-	7,232	-	-	18,080	
Professional development	1,730		-	-	-	-	-	-	1,730	
Telephone	2,537		-	752	-	-	-	-	3,289	
Office equipment-rent	704		-	-	-	-	-	-	704	
Office equipment-purchase	684		-	-	-	-	-	-	684	
Office supplies	3,689		-	214	-	91	141	-	4,135	
Insurance (non-health)	6,279		-	-	-	-	-	-	6,279	
Board expense	35		-	-	-	-	-	-	35	
Travel	752		-	1,041	-	-	1,487	-	3,280	
Miscellaneous	2,737		-	-	-	-	-	-	2,737	
Program purchased supplies	504		33,592	7,442	3,265	1,333	54,385	-	100,421	
Program purchased services	-		279,104	192,600	19,421	68,318	715,721	-	1,275,164	
	\$ 68,226		\$ 320,732	\$ 245,623	\$ 22,686	\$ 173,080	\$ 807,766	\$ -	\$ 1,638,113	

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; and 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. The basis of accounting determines when the Partnership recognizes revenue and expenses, and related assets and liabilities. The Partnership uses the cash receipts and disbursements basis of accounting, modified by including program revenue and expenses to the extent that such transactions are settled in cash or invoiced to the Partnership timely after year-end.

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.

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 Tax** – The Partnership is organized as a nonprofit organization under Section 501(c) (3) of the Internal Revenue Code, and is exempt from federal and state income tax.

**Use of Estimates** – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.

**Cash** – The Partnership maintains its cash in bank deposit accounts at high quality financial institutions 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. The Partnership has additional insurance/security in place for deposits in excess of FDIC limits.

**Accounts Receivable** – Partnership’s accounts receivable are due from the Federal Government, the South Carolina State Office of First Steps and/or 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.



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

### **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 \$690,000 and \$1,115,000 as expense for the years ended June 30, 2012 and 2011, respectively, related to the services provided by these contractors.

### **Note 3. Concentrations of Risks**

The Partnership receives a substantial portion 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. Due to the general economic environment within the State of South Carolina, the overall availability of funding from the South Carolina General Assembly is expected to remain level during the fiscal year ending June 30, 2013.

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, are generally one year or less, and are subject to annual renegotiation. Substantially all amounts as shown in the statements of functional expense, 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.

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

**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 \$17,000. 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 \$5,600 and \$6,700 for the years ended June 30, 2012 and 2011, respectively.

**Note 5. Subsequent Events**

The Partnership has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2012, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through April 15, 2013, the date these financial statements were available to be issued, and there were no subsequent events that required disclosure in these financial statements.