

Independent Auditor's Report on
Audits of Financial Statements of

Greenville County First Steps

to School Readiness Partnership

for the years ended June 30, 2014 and 2013

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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 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 June 30, 2014 and 2013, 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, 2014 and 2013, 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
February 13, 2015

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>	<u>2014</u>	<u>2013</u>
<u>Revenues:</u>		
Grant revenues - South Carolina Office of First Steps to School Readiness:		
State allocation	\$ 997,007	\$ 673,543
Education Improvement Act	2,270	-
Federal	44,271	83,457
Interest income	86	87
Contribution income	<u>758,730</u>	<u>154,394</u>
Total revenues	<u>1,802,364</u>	<u>911,481</u>
Net assets released from temporary restrictions	<u>(1,790,774)</u>	<u>(1,091,004)</u>
 Change in temporarily restricted net assets	 <u>11,590</u>	 <u>(179,523)</u>
 <u>Unrestricted net assets:</u>		
Net assets released from temporary restrictions	<u>1,790,774</u>	<u>1,091,004</u>
<u>Expenses:</u>		
County operations	165,789	88,068
Family strengthening	852,350	287,557
School transition	3,597	6,189
Child care quality	<u>769,038</u>	<u>709,190</u>
Total expenses	<u>1,790,774</u>	<u>1,091,004</u>
 Change in unrestricted net assets	 <u>-</u>	 <u>-</u>
 Change in net assets	 <u>11,590</u>	 <u>(179,523)</u>
 <u>Net assets at beginning of the year:</u>		
Cash	929,391	1,077,606
Accounts receivable	-	572
Accounts payable	<u>(79,376)</u>	<u>(48,640)</u>
	<u>850,015</u>	<u>1,029,538</u>
 <u>Net assets at end of the year:</u>		
Cash	901,701	929,391
Accounts receivable	18,230	-
Accounts payable	<u>(58,326)</u>	<u>(79,376)</u>
	<u>\$ 861,605</u>	<u>\$ 850,015</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, 2014

	Administrative		Program				Total
	County operations	Family strengthening	School transition	Child care quality			
Salaries	\$ 37,742	\$ -	\$ -	\$ 146,567	\$ -	\$ 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
Statement of Functional Expenses - Modified Cash Basis
for the year ended June 30, 2013**

	Administrative		Program			Total
	County	operations	Family strengthening	School transition	Child care quality	
Salaries	\$	30,000	-	\$	117,250	\$ 147,250
Payroll taxes		3,511	-		8,729	12,240
Fringe benefits		7,878	-		17,462	25,340
Consultants		2,375	-		12,708	15,083
Office rent		4,650	-		6,900	11,550
Professional development		627	-		-	627
Office equipment-purchase		3,516	-		8,748	12,264
Office supplies		1,820	-		154	1,974
Insurance (non-health)		6,469	-		-	6,469
Board expense		2,524	-		-	2,524
Advertising		9,420	-		11,912	21,332
Travel		2,094	-		2,163	4,257
Miscellaneous		5,403	-		1,664	7,067
Program purchased supplies		-	36,776	-	24,830	61,606
Program purchased services		7,781	249,081	6,189	496,670	759,721
Program purchased equipment		-	1,700	-	-	1,700
	\$	88,068	\$	287,557	\$	709,190
				\$	\$	\$
						1,091,004

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. 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 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, 2014, 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, 2014:

Federal	2011 - 2014
South Carolina	2011 - 2014

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, 2014 and 2013 were approximately \$42,000 and \$21,300, 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 \$849,000 and \$288,000 as expense for the years ended June 30, 2014 and 2013, respectively, related to the services provided by these contractors. The large increase in expenses for the year ended June 30, 2014 is due to the contract with the Greenville Hospital System.

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 \$6,200 and \$5,700 for the years ended June 30, 2014 and 2013, respectively.

Note 5. Subsequent Events

The Partnership has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2014, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 13, 2015, the date these financial statements were available to be issued and did not identify any matters that required further disclosure.