

**Independent Auditor's Report on
Audits of Financial Statements of**

Greenville County First Steps

to School Readiness Partnership

as of and for the years ended June 30, 2020 and 2019

SCOTT  COMPANY

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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 "Local Partnership"), which comprise the statements of revenues, expenses, and changes in net assets - modified cash basis as of and for the years ended June 30, 2020 and 2019, 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 Local 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 Local 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 Local Partnership as of June 30, 2020 and 2019, 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
April 27, 2021

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>Net assets with donor restrictions:</u>	<u>2020</u>	<u>2019</u>
Revenues:		
Grant revenues - South Carolina Office of First Steps to School Readiness:		
State allocation	\$ 1,036,033	\$ 1,051,032
Federal	-	6,340
Interest income	176	99
Contribution income	318,282	286,765
Paycheck Protection Program funding	66,100	-
Total revenues	<u>1,420,591</u>	<u>1,344,236</u>
Net assets released from restrictions	<u>(1,531,544)</u>	<u>(1,344,420)</u>
Change in net assets with donor restrictions	<u>(110,953)</u>	<u>(184)</u>
<u>Net assets without donor restrictions:</u>		
Net assets released from restrictions	<u>1,531,544</u>	<u>1,344,420</u>
Expenses:		
County operations	79,491	74,921
Core functions	117,642	52,273
Family strengthening	671,978	294,218
Early education	32,160	30,000
Child care quality	630,273	893,008
Total expenses	<u>1,531,544</u>	<u>1,344,420</u>
Change in net assets without donor restrictions	<u>-</u>	<u>-</u>
Change in net assets	<u>(110,953)</u>	<u>(184)</u>
<u>Net assets at beginning of the year:</u>		
Cash	848,917	920,259
Accounts receivable	4,022	13,749
Prepaid expenses and deposits	101,787	14,286
Accounts payable	<u>(40,971)</u>	<u>(34,355)</u>
	<u>913,755</u>	<u>913,939</u>
<u>Net assets at end of the year:</u>		
Cash	816,464	848,917
Accounts receivable	-	4,022
Prepaid expenses and deposits	14,286	101,787
Accounts payable	<u>(27,948)</u>	<u>(40,971)</u>
	<u>\$ 802,802</u>	<u>\$ 913,755</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, 2020**

	Program Services						Total
	Administrative	Family					
	County Operations	Core Functions	Strengthening	Early Education	Child Care Quality	Total	
Salaries	42,500	\$ 68,214	\$ 110,127	\$ -	\$ 58,075	\$ 278,916	
Payroll taxes	3,213	5,775	6,758	-	4,442	20,188	
Fringe benefits	9,631	17,611	12,260	-	15,261	54,763	
Consultants	4,000	1,239	14,541	-	-	19,780	
Office rent	8,853	8,852	51,476	-	16,536	85,717	
Utilities	1,450	-	8,808	-	1,374	11,632	
Professional development	1,000	1,998	9,981	-	2,000	14,979	
Telephone	205	205	1,567	-	376	2,353	
Office equipment-purchase	800	800	3,464	-	-	5,064	
Office supplies	1,000	684	5,984	-	1,229	8,897	
Insurance (non-health)	850	350	1,991	-	-	3,191	
Board expense	2,490	-	-	-	-	2,490	
Advertising	1,500	700	23,604	-	3,000	28,804	
Travel	-	-	4,819	-	300	5,119	
Miscellaneous	1,999	1,525	9,335	-	1,234	14,093	
Program purchased supplies	-	2,135	47,900	-	54,889	104,924	
Program purchased services	-	7,554	359,363	32,160	471,557	870,634	
	<u>\$ 79,491</u>	<u>\$ 117,642</u>	<u>\$ 671,978</u>	<u>\$ 32,160</u>	<u>\$ 630,273</u>	<u>\$ 1,531,544</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, 2019

	Program Services						Total
	Administrative	Family					
	County Operations	Core Functions	Strengthening	Early Education	Child Care Quality	Total	
Salaries	48,611	21,279	\$ 44,668	\$ -	\$ 143,391	\$ 257,949	
Payroll taxes	3,815	1,607	3,385	-	10,774	19,581	
Fringe benefits	10,731	2,538	12,143	-	41,347	66,759	
Consultants	370	3,705	15,331	-	21,693	41,099	
Office rent	3,774	5,442	9,714	-	66,786	85,716	
Utilities	307	1,943	109	-	9,447	11,806	
Professional development	1,874	150	-	-	4,520	6,544	
Telephone	-	-	-	-	2,166	2,166	
Office equipment-purchase	931	-	-	-	6,189	7,120	
Office supplies	-	24	371	-	6,446	6,841	
Insurance (non-health)	365	365	485	-	2,952	4,167	
Board expense	2,040	-	-	-	1,433	3,473	
Food	-	-	6,300	-	-	6,300	
Meeting rental space	-	-	1,790	-	-	1,790	
Advertising	-	-	149	-	10,416	10,565	
Travel	924	371	2,594	-	5,028	8,917	
Miscellaneous	1,179	-	1,150	-	3,739	6,068	
Program purchased supplies	-	200	1,029	-	25,849	27,078	
Program purchased services	-	14,649	195,000	30,000	530,832	770,481	
	\$ 74,921	\$ 52,273	\$ 294,218	\$ 30,000	\$ 893,008	\$ 1,344,420	

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 Local Partnership is a non-profit entity organized under the laws of South Carolina with the intent of improving early childhood development. The Local 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 Local 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 Local 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.

Basis of Presentation – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, Not-for-Profit Entities. The Local Partnership is required to report information regarding its financial position and activities according to the following net asset classifications:

Without Donor Restrictions: Net assets that are not subject to donor imposed restrictions and may be expensed for any purpose in performing the primary objectives of the Local Partnership. The board of directors has discretionary control over these resources.

With Donor Restrictions: Net assets subject to stipulation imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Local Partnership or by the passage of time.

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

Note 1. Summary of Significant Accounting Policies (continued)

Support and Revenue – Contributions received are recorded as support with donor restrictions or without donor restrictions, depending on the existence and nature of any donor restrictions. All support with donor restrictions is reported as an increase in net assets with donor restrictions.

A restriction expires when a stipulated time restriction ends or purpose restriction is accomplished. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Substantially all the support and revenue received by the Local Partnership is considered to be with donor restrictions as the Local 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.

During 2020, certain state general fund cash appropriated to the local partnerships in previous years was refunded to the South Carolina Office of First Steps to School Readiness and placed in a cash reserve per the SC First Steps Board of Trustees. The Local Partnership refunded \$12,243 during 2020, which is shown as a reduction in state allocation revenues on the statement of revenues, expenses, and changes in net assets.

Expenses – Expenses are classified as either administrative or program services. Core functions are included within program expenses, and consist of services and activities the Partnership performs to directly or indirectly ensure that the Partnership's mission is prioritized and implemented.

Income Taxes – The Internal Revenue Service has approved the Local 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 Local Partnership, as previously described in Note 1 to these financial statements, requires management to evaluate tax positions taken by the Local Partnership and recognize a tax liability (or asset) if the Local 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 Local Partnership, and has concluded that as of June 30, 2020, 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 Local Partnership is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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

Note 1. Summary of Significant Accounting Policies (continued)

The following years are subject to examination by major tax jurisdictions at June 30, 2020:

Federal	2018 – 2020
South Carolina	2018 – 2020

Use of Estimates – The basis of accounting followed by the Local 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.

Cash – The Local 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. The Local Partnership has additional insurance/securities in place for deposits in excess of FDIC limits.

Accounts Receivable – The Local Partnership’s accounts receivable are due from the South Carolina State Office of First Steps and other contributors. Management does not feel an allowance for doubtful accounts is necessary for these receivables.

Prepaid Expenses and Deposits – Prepaid expenses and deposits consist of deposits and amounts prepaid for rent, and the portion of a multiple year grant covering future periods.

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 Local 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, 2020 and 2019 were approximately \$28,000 and \$11,000, respectively.

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

Note 1. Summary of Significant Accounting Policies (continued)

Recently Implemented Accounting Standard – In June 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU is meant to clarify whether transactions should be accounted for as contributions, which are covered by Topic 958, Not for Profit Entities, or as exchange transactions under other guidance. The Local Partnership adopted the ASU effective July 1, 2019. Adoption of the ASU did not materially impact the Local Partnership’s financial statements.

Note 2. Related Party Transactions

The board members of the Local 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 Local Partnership’s policies and as required by law. It is the policy of the Local Partnership that board members not be involved with decisions regarding organizations they represent.

Certain board members are members of management of certain of the Local Partnership’s contractors. The Local Partnership consummated arm’s length transactions with these entities to provide certain services related to the mission of the Local Partnership. The Local Partnership recognized approximately \$4,000 as expense for the years ended June 30, 2020 and 2019 related to the services provided by these contractors.

Note 3. Concentrations of Risks

The Local Partnership receives substantially all of its funding through the South Carolina Office of First Steps to School Readiness. Future funding was previously dependent upon annual evaluation of the Local 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 Local First Steps Partnerships, of which this Local Partnership is one of forty-six local partnerships receiving funding. The General Assembly passed South Carolina House bill H3591 in April of 2018. This created Act 152 which reauthorized the South Carolina Office of First Steps to School Readiness through June 30, 2025.

The Local Partnership enters into various contracts with third parties for the performance of certain services consistent with the organization and purpose of the Local 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 Local Partnership and provided by third parties, for the benefit of improving early childhood development on behalf of the Local Partnership.

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

Note 4. Paycheck Protection Program Funding

The Local Partnership received a Paycheck Protection Program (“PPP”) loan in the amount of \$66,100 in May 2020 through the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The loan originally matured in May 2022 had an interest rate of 1%.

The PPP loan was forgiven in full during March 2021. No interest was paid. As the Local Partnership uses the modified cash basis of accounting as described in Note 1, the PPP funding was accounted for as income when received.

Note 5. Liquidity and Availability of Resources

The Local Partnership’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

Financial assets at year-end:	2020	2019
Cash and cash equivalents	\$ 816,464	\$ 848,917
Accounts receivable	—	4,022
Total financial assets	816,464	852,939
Less amounts not available to be used within one year	—	—
Financial assets available to meet general expenditures over the next twelve months	\$ 816,464	\$ 852,939

As part of the Local Partnership’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 6. Retirement Plan

The Local Partnership provides a defined contribution retirement plan for full-time permanent employees. All full-time employees of the Local Partnership who are at least eighteen are eligible to participate in the plans and are eligible for employer matching contributions up to 10% of salary. Local Participant contributions are limited to the lesser of 100% of each participant’s annual compensation or \$15,500. 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 Local Partnership made contributions of approximately \$22,000 and \$12,000 for the years ended June 30, 2020 and 2019, respectively.

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

Note 7. Operating Lease

The Local Partnership entered into an operating lease for office space commencing on March 1, 2018 and continuing for 7 months. The Local Partnership entered into a new operating lease for office space commencing on January 1, 2020 and continuing through January 1, 2022. Monthly payments under each lease were \$7,143.

Future minimum lease payments under the agreement are as follows:

2021	\$ 89,610
2022	<u>45,468</u>
Total	<u>\$ 135,078</u>

Rent expense for the years ended June 30, 2020 and 2019 was approximately \$86,000, respectively.

Note 8. Subsequent Events

The Local Partnership has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2020, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through April 27, 2021, the date these financial statements were available to be issued and other than noted below, did not identify any matters that required further disclosure.

In mid to late March 2020, the state of South Carolina along with the rest of the United States was severely impacted by the COVID-19 virus. As of the date of this report, the impact to the Local Partnership has been in the form of adjusting operations, employees working from home and/or taking leave, and shoring up communications. Management is continuously assessing the financial impact on its financial statements going forward.

As described in Note 4, in March 2021, the Local Partnership was notified that its PPP loan was forgiven in full.

In addition, the Local Partnership received \$4,100,000 in CARES Act funding during 2021, to be spent during the period July 2020 through December 2021. The funds will be used to support the childcare sector, primarily through direct payments to childcare centers. The Local Partnership has spent \$4,000,000 of these funds during 2021.