

**Independent Auditor's Report on
Audits of Financial Statements of
Greenville County First Steps
to School Readiness Partnership
for the years ended June 30, 2021 and 2020
and Supplemental Federal Financial Assistance Reports
*for the year ended June 30, 2021***

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, 2021 and 2020, 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, 2021 and 2020, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and related notes are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June XX, 2022, on our consideration of the Local Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Local Partnership's internal control over financial reporting and compliance.

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
August 15, 2022

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, 2021 and 2020

| <u>Net assets with donor restrictions:</u> | <u>2021</u> | <u>2020</u> |
|--|--------------------|--------------------|
| Revenues: | | |
| Grant revenues - South Carolina Office of First Steps to School Readiness: | | |
| State allocation | \$ 1,048,916 | \$ 1,036,033 |
| Federal | 4,083,848 | - |
| Interest income | 210 | 176 |
| Contribution income | 351,602 | 318,282 |
| Payroll Protection Program | - | 66,100 |
| Investment Revenue | 12,571 | - |
| Total revenues | <u>5,497,147</u> | <u>1,420,591</u> |
| Net assets released from restrictions | <u>(5,326,607)</u> | <u>(1,531,544)</u> |
| | | |
| Change in net assets with donor restrictions | <u>170,540</u> | <u>(110,953)</u> |
| | | |
| <u>Net assets without donor restrictions:</u> | | |
| Net assets released from restrictions | <u>5,326,607</u> | <u>1,531,544</u> |
| Expenses: | | |
| County operations | 114,376 | 79,491 |
| Core functions | 4,175,380 | 117,642 |
| Family strengthening | 641,524 | 671,978 |
| Early education | 31,050 | 32,160 |
| Child care quality | 364,277 | 630,273 |
| Total expenses | <u>5,326,607</u> | <u>1,531,544</u> |
| | | |
| Change in net assets without donor restrictions | <u>-</u> | <u>-</u> |
| | | |
| Change in net assets | <u>170,540</u> | <u>(110,953)</u> |
| | | |
| <u>Net assets at beginning 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> |
| | | |
| <u>Net assets at end of the year:</u> | | |
| Cash | 745,035 | 816,464 |
| Investment Account | 412,571 | - |
| Accounts receivable | 22,787 | - |
| Prepaid expenses and deposits | 11,835 | 14,286 |
| Accounts payable | <u>(80,778)</u> | <u>(27,948)</u> |
| Deferred revenue | <u>(138,108)</u> | <u>-</u> |
| | <u>\$ 973,342</u> | <u>\$ 802,802</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, 2021

| | Administrative | | Program Services | | | | Total |
|----------------------------|-------------------|---------------------|-------------------|------------------|-------------------|---------------------|-------|
| | County Operations | Core Functions | Family | | | Child Care Quality | |
| | | | Strengthening | Early Education | | | |
| Salaries | \$ 63,000 | \$ 37,842 | \$ 113,161 | \$ - | \$ 30,000 | \$ 244,003 | |
| Bonus/Stipends | - | 5,500 | - | - | - | 5,500 | |
| Payroll taxes | 4,877 | 3,366 | 8,602 | - | 2,295 | 19,140 | |
| Fringe benefits | 16,119 | 10,246 | 17,784 | - | 8,501 | 52,650 | |
| Consultants | 1,500 | 3,000 | 4,000 | - | 3,000 | 11,500 | |
| Office rent | 12,749 | 17,000 | 29,815 | - | 25,500 | 85,064 | |
| Utilities | 4,500 | 5,812 | 1,898 | - | - | 12,210 | |
| Professional development | 712 | 750 | 1,440 | - | 250 | 3,152 | |
| Telephone | 377 | 380 | 952 | - | 578 | 2,287 | |
| Office equipment-purchase | 300 | 735 | 10,000 | - | - | 11,035 | |
| Office supplies | 94 | 739 | 700 | - | 600 | 2,133 | |
| Insurance (non-health) | 1,275 | 1,700 | 1,303 | - | - | 4,278 | |
| Board expense | 2,511 | - | - | - | - | 2,511 | |
| Travel | 1,062 | - | - | - | - | 1,062 | |
| Miscellaneous | 5,300 | 6,870 | 31,337 | - | 8,500 | 52,007 | |
| Program purchased supplies | - | 496,544 | 105,422 | - | 58,305 | 660,271 | |
| Program purchased services | - | 3,584,896 | 315,110 | 31,050 | 226,748 | 4,157,804 | |
| | <u>\$ 114,376</u> | <u>\$ 4,175,380</u> | <u>\$ 641,524</u> | <u>\$ 31,050</u> | <u>\$ 364,277</u> | <u>\$ 5,326,607</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**

| | Administrative | Program Services | | | | Total |
|----------------------------|-------------------|-------------------|-------------------------|------------------|--------------------|---------------------|
| | County Operations | Core Functions | Family Strengthening | Early Education | Child Care Quality | |
| 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 |
| Travel | - | - | 4,819 | - | 300 | 5,119 |
| Miscellaneous | 3,499 | 2,225 | 32,939 | - | 4,234 | 42,897 |
| 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
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.

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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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. During 2021 the Local Partnership received \$4.2 million of federal funding of which \$4.08 million was expended and the difference recorded as deferred revenue. 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. There were no such refunds in 2021.

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. Federal expenses are recognized as funds are disbursed for the specific reasons granted.

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, 2021, 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.

The following years are subject to examination by major tax jurisdictions at June 30, 2021:

| | |
|----------------|-------------|
| Federal | 2019 – 2021 |
| South Carolina | 2019 – 2021 |

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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

Investment Valuation and Income Recognition – The Local Partnership investments are stated 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. Shares of mutual funds are valued at quoted market prices, which represent the net asset value of shares held by the Local Partnership at year-end. See Note 3 for a discussion of fair value measurements.

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.

Deferred Revenue – The Local Partnership records deferred revenue when funds are received that aren’t used until future periods. During 2021 the local partnership received \$4,221,956 in federal funds and expended \$4,083,848, the difference was recorded as deferred revenue at June 30, 2021. As of June 30, 2021 and 2020, the Local Partnership had approximately \$139,000 and \$0 in deferred revenue, respectively.

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, 2021 and 2020 were approximately \$40,000 and \$28,000, respectively.

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 \$483,000 and \$4,000 as expense for the years ended June 30, 2021 and 2020 related to the services provided by these contractors.

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

Note 3. Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as U.S. Treasuries, and money market funds.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, mortgage-backed securities, municipal bonds, corporate debt securities, and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes certain derivative contracts and impaired loans.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. For example, this category generally includes certain private equity investments, retained residual interests in socializations, residential mortgage servicing rights, and highly-structured or long-term derivative contracts.

Following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Marketable securities – Investments in marketable securities are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted stock prices in an active market (Level 1).

June 30, 2021:

| | Quoted market price in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|------------------------------|--|---|--|
| Marketable securities | \$ 412,571 | \$ - | \$ - |

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

Note 4. 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.

Note 5. 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 and 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 6. 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: | 2021 | 2020 |
|--|--------------|------------|
| Cash and cash equivalents | \$ 745,035 | \$ 816,464 |
| Investment Account | 412,571 | — |
| Accounts receivable | 22,787 | — |
| Total financial assets | 1,180,393 | 816,464 |
| Less amounts not available to be used within one year | — | — |
| Financial assets available to meet general expenditures over the next twelve months | \$ 1,180,393 | \$ 816,464 |

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.

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

Note 7. 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 \$20,000 and \$22,000 for the years ended June 30, 2021 and 2020, respectively.

Note 8. Operating Lease

The Local Partnership entered into an operating lease for office space commencing on January 1, 2019 and continuing through January 1, 2022, but terminated the lease on October 31, 2021. Monthly payments under the lease were \$7,578. The Local Partnership entered into a new operating lease for office space commencing on November 1, 2021 and continuing through June 30, 2027. Monthly payments under the lease are \$4,500.

Future minimum lease payments under the agreement are as follows:

| | |
|-------|-------------------|
| 2022 | \$ 66,312 |
| 2023 | 54,000 |
| 2024 | 55,800 |
| 2025 | 57,600 |
| 2026 | 59,400 |
| 2027 | 61,200 |
| Total | <u>\$ 354,312</u> |

Rent expense for the years ended June 30, 2021 and 2020 was approximately \$85,000 and \$86,000, respectively.

Note 9. Subsequent Events

The Local Partnership has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2021, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through August 15, 2022, 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 March 2020, the outbreak of COVID-19 caused by a novel strain of the coronavirus was recognized as a pandemic by the World Health Organization. The Local Partnership's 2021 year-end was subsequent to the initial impact of the pandemic, which continues to disrupt global markets. Since the Local Partnership's 2021 year-end, a conflict between Russia and Ukraine has further destabilized markets and routine supply-chain productions. As a result of the pandemic and the Russian-Ukraine conflict, the Local Partnership has been impacted by significant volatility in markets, interest rates, and rising inflation. Sufficient information is not available to adequately evaluate the short-term or long-term impact to the Local Partnership subsequent to year-end; however, these continuing conditions may adversely impact the Local Partnership's operations and future financial condition, including but not limited to unrealized losses and declines in the fair market value of investments. Management believes the Local Partnership is taking appropriate actions to mitigate the negative impact of these continuing conditions.

Greenville County First Steps to School Readiness Partnership
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2021

| Federal Grantor/Pass-through Grantor/Program or Cluster Title | Federal CFDA # | Federal Expenditures |
|--|-------------------|-------------------------|
| <u>U. S. Department of Health and Human Services:</u> | | |
| Indirect: | | |
| Passed Through Greenville County: | | |
| CARES Grant Greenville County | 21.019 | \$ 4,083,848 |
| Total Federal Expenditures | | <u>\$ 4,083,848</u> |

Greenville County First Steps to School Readiness Partnership
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Greenville County First Steps to School Readiness Partnership (the "Local Partnership") under programs of the federal government for the year ended June 30, 2021.

The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Local Partnership, it is not intended and does not present the financial position, changes in net assets or cash flows of the Local Partnership.

2. Summary of Significant Accounting Policies

The financial information shown in the Schedule of Expenditures of Federal Awards reflects amounts recorded by the Local Partnership during its fiscal year July 1, 2020 through June 30, 2021. This information is presented on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

The Local Partnership has elected not to use the 10 percent de minimus indirect cost rate as the grant does not include an indirect cost rate component.

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Greenville County First Steps to School Readiness Partnership (the "Local Partnership"), a South Carolina nonprofit corporation, which comprise the statements of revenues, expenses, and changes in net assets – modified cash basis as of June 30, 2021 and 2020, and the related statements of functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Local Partnership's internal control over financial reporting (internal control) to determine the audit 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 Local Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Local 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Local Partnership's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Local Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Local Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Local Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scott and Company LLC

Columbia, South Carolina
August 15, 2022

**Independent Auditor's Report on Compliance for the Major
Program and Report on Internal Control Over
Compliance Required by the Uniform Guidance**

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

Report on Compliance for the Major Federal Program

We have audited the Greenville County First Steps to School Readiness Partnership's (the "Local Partnership"), a South Carolina nonprofit corporation, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Local Partnership's major federal program for the year ended June 30, 2021. The Local Partnership's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Local Partnership's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Local Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Local Partnership's compliance.

Opinion on the Major Federal Program

In our opinion, the Local Partnership complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Local Partnership is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Local Partnership's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Local Partnership's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Scott and Company LLC

Columbia, South Carolina
August 15, 2022

Greenville County First Steps to School Readiness Partnership
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements:

We have issued an unmodified opinion dated August 15, 2022 on the financial statements of Greenville County First Steps to School Readiness Partnership.

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards:

We have issued an unmodified opinion dated August 15, 2022 on Greenville County First Steps to School Readiness Partnership's compliance for its major program.

Internal control over federal awards:

- Material weaknesses identified? No
- Significant deficiencies identified? None Reported

Internal control over major program:

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of Major Program:

| | |
|--------------------|----------------|
| <u>CFDA Number</u> | <u>Program</u> |
| 21.019 | CARES Grant |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?.....No

Greenville County First Steps to School Readiness Partnership
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Section II—Financial Statement Findings:

NONE

Section III—Federal Award Findings and Questioned Costs:

NONE

Summary Schedule of Prior Year Audit Findings:

NONE