

Report on Audits of Financial Statements of
Chesterfield County First Steps
to School Readiness Partnership
for the years ended June 30, 2011 and 2010

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Independent Auditors' Report

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

We have audited the accompanying statements of revenues, expenses, and changes in net assets - modified cash basis, of Chesterfield County First Steps to School Readiness Partnership, a South Carolina non-profit corporation, (the "Partnership"), as of and for the years ended June 30, 2011 and 2010 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. Those standards require that we plan and perform the audits 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 Chesterfield County First Steps to School Readiness Partnership as of June 30, 2011 and 2010, and its revenues and expenses for the years then ended, on the basis of accounting described in Note 1.

Scott and Company LLP

Columbia, South Carolina
February 29, 2012

Chesterfield 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,

	2011	2010
<u>Temporarily restricted net assets:</u>		
Revenues:		
Grant revenues - South Carolina Office of First Steps to School Readiness:		
State allocation	\$ 63,729	\$ 85,424
State private	816	-
Education Improvement Act	14,975	11,354
Federal revenue	79,611	79,092
Interest income	377	447
Contribution income	76,942	14,450
Total revenues	236,450	190,767
Net assets released from temporary restrictions	(198,085)	(199,285)
Change in temporarily restricted net assets	38,365	(8,518)
<u>Unrestricted net assets:</u>		
Net assets released from temporary restrictions	198,085	199,285
Expenses:		
County operations	84,880	96,104
Family strengthening	27,853	24,915
School transition	3,870	-
Child care quality	81,482	78,266
Total expenses	198,085	199,285
Change in unrestricted net assets	-	-
Change in net assets	38,365	(8,518)
<u>Net assets at beginning of the year:</u>		
Cash	138,648	151,339
Accounts payable	(11,426)	(15,599)
	127,222	135,740
<u>Net assets at end of the year:</u>		
Cash	197,825	138,648
Accounts receivable	1,054	-
Accounts payable	(33,292)	(11,426)
	\$ 165,587	\$ 127,222

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

Chesterfield 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 operations	Family strengthening	School transition	Child care quality		
Salaries	\$ 53,525	\$ 6,304	\$ -	\$ 15,762	\$ 75,591	
Payroll taxes	4,044	289	-	1,444	5,777	
Fringe benefits	10,792	771	-	3,854	15,417	
Office rent	1,927	233	-	240	2,400	
Utilities	1,145	95	-	514	1,754	
Professional development	-	-	-	2,400	2,400	
Telephone	1,640	244	-	810	2,694	
Office equipment-purchase	1,253	-	-	152	1,405	
Office supplies	659	30	-	790	1,479	
Insurance (non-health)	1,940	-	-	-	1,940	
Board expense	875	-	-	-	875	
Travel	1,799	600	-	2,300	4,699	
Miscellaneous	358	-	-	-	358	
Program purchased supplies	-	11,346	1,600	11,004	23,950	
Program purchased services	4,923	7,941	2,270	42,212	57,346	
	<u>\$ 84,880</u>	<u>\$ 27,853</u>	<u>\$ 3,870</u>	<u>\$ 81,482</u>	<u>\$ 198,085</u>	

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

Chesterfield County First Steps to School Readiness Partnership
Statement of Functional Expenses - Modified Cash Basis
for the year ended June 30, 2010

	Administrative		Program		Total
	County	operations	Family strengthening	Child care quality	
Salaries	\$	59,069	\$	15,762	77,983
Payroll taxes		4,530	241	1,205	5,976
Fringe benefits		11,723	489	4,097	16,309
Office rent		2,160	-	240	2,400
Utilities		1,021	-	518	1,539
Professional development		-	-	637	637
Telephone		3,045	-	478	3,523
Office equipment-purchase		777	-	299	1,076
Office supplies		1,701	-	421	2,122
Insurance (non-health)		1,234	-	-	1,234
Travel		2,320	-	2,000	4,320
Miscellaneous		3,228	-	-	3,228
Program purchased supplies		-	15,033	5,394	20,427
Program purchased services		5,296	6,000	47,215	58,511
	\$	<u>96,104</u>	\$	<u>78,266</u>	<u>199,285</u>

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

Chesterfield 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.

Chesterfield 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 non-profit 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. At times, such deposits may be in excess of FDIC insured limits. The Partnership has additional insurance/security in place for deposits in excess of FDIC limits.

Accounts Receivable – The Partnership’s accounts receivable are due from the Federal Government, the South Carolina 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.

Reclassification – Various expense amounts have been reclassified from the Healthy Start and Family Strengthening programs to the Early Education program to conform to current year presentation.

Chesterfield 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. It is the policy of the Partnership that board members are not to be involved with decisions regarding organizations they represent.

Some members of the Partnership's board are also members of management of other Partnership's contractors, one of which is Chesterfield County School District. 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 \$141,000, as expense for the years ended June 30, 2011 and 2010, related to the services provided by these contractors.

The Partnership has also contracted with the Chesterfield County School District to employ individuals whose main purpose is to work for the Partnership. The purpose of this contractual arrangement is to provide the individuals with the opportunity to participate in employee benefits programs that are not available through the Partnership.

Note 3. Concentrations of Risks

The Partnership receives substantially most 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, 2012.

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 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.

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

Note 4. Subsequent Events

The Partnership has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2011, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 29, 2012, the date these financial statements were issued, and there were no subsequent events that required disclosure in these financial statements.