Report on Audits of Financial Statements of

Marion County First Steps

to School Readiness Partnership

for the years ended June 30, 2012 and 2011

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Independent Auditor's Report

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

We have audited the accompanying statements of revenues, expenses, and changes in net assets - modified cash basis of Marion County First Steps to School Readiness Partnership, a South Carolina non-profit corporation, (the "Partnership"), as of and for the years ended June 30, 2012 and 2011 and the related statements of functional expenses - modified cash basis for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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

Scott and Company LLC

Columbia, South Carolina
June 13, 2013

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Marion 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,

	2012	2011
Temporarily restricted net assets:		
Revenues:		
Grant revenues - South Carolina Office of First Steps to School Readiness:		
State allocation	$ 148,231	$ 51,155
State private	-	816
Education Improvement Act	13,270	11,564
4-K state appropriation	-	260,000
Federal	-	77,015
Interest income	19	114
Contribution income	2,590	1,750
Total revenues	164,110	402,414
Net assets released from temporary restrictions	(118,650)	(374,790)
Change in temporarily restricted net assets	45,460	27,624
Unrestricted net assets:		
Net assets released from temporary restrictions	118,650	374,790
Expenses:		
County operations	38,676	41,030
Family strengthening	54,571	45,846
Early education programs	-	250,288
Child care quality	25,403	37,626
Total expenses	118,650	374,790
Change in unrestricted net assets	-	-
Change in net assets before transfer	45,460	27,624
Transfer of CDEPP funds	4,493	-
Increase in net assets	49,953	27,624
Net assets at beginning of the year:		
Cash	100,437	109,198
Accounts receivable	10,000	367
Accounts payable	(21,531)	(48,283)
	88,906	61,282
Net assets at end of the year:		
Cash	163,736	100,437
Accounts receivable	-	10,000
Accounts payable	(24,877)	(21,531)
	$ 138,859	$ 88,906

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

Marion County First Steps to School Readiness Partnership
Statement of Functional Expenses - Modified Cash Basis
for the year ended June 30, 2012

	Administrative	Program		
	County operations	Family strengthening	Child care quality	Total
Salaries	$ 31,662	$ -	$ 21,520	$ 53,182
Payroll taxes	2,557	1,925	1,717	6,199
Fringe benefits	-	12,352	-	12,352
Professional development	1,029	-	-	1,029
Telephone	12	-	26	38
Office supplies	276	-	68	344
Insurance (non-health)	2,224	-	-	2,224
Travel	-	-	265	265
Miscellaneous	219	-	-	219
Program purchased supplies	697	6,157	-	6,854
Program purchased services	-	34,137	1,807	35,944
	$ 38,676	$ 54,571	$ 25,403	$ 118,650

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

Marion County First Steps to School Readiness Partnership
Statement of Functional Expenses- Modified Cash Basis
for the year ended June 30, 2011

	Administrative	Program			
	County operations	Family strengthening	Early education	Child care quality	Total
Salaries	$ 29,755	$ -	$ -	$ 19,554	$ 49,309
Payroll taxes	2,276	1,983	-	1,496	5,755
Fringe benefits	-	13,033	-	-	13,033
Professional development	38	-	-	-	38
Telephone	151	-	-	300	451
Office equipment-rent	177	-	-	356	533
Office equipment-purchase	639	-	-	1,278	1,917
Office supplies	173	-	-	346	519
Insurance (non-health)	1,305	-	-	-	1,305
Travel	348	-	-	1,238	1,586
Miscellaneous	486	-	-	-	486
Program purchased supplies	1,715	195	-	2,904	4,814
Program purchased services	3,967	30,635	250,288	6,588	291,478
Program purchased equipment	-	-	-	3,566	3,566
	$ 41,030	$ 45,846	$ 250,288	$ 37,626	$ 374,790

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

Marion 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.

Note 1. Summary of Significant Accounting Policies (continued)

Support and Revenue (continued) – A restriction expires when a stipulated time restriction ends or purpose restriction is accomplished. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Substantially all the support and revenue received by the Partnership is considered to be temporarily restricted as the Partnership is obligated to spend the amounts received consistent with the instructions from the contributor, including South Carolina First Steps State Board of Trustees, as to their intended use. Revenues are shown net of any amounts refunded to the funding source.

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

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash – The Partnership maintains its cash in bank deposit accounts at high quality financial institutions and generally limits its exposure to credit risk from balances on deposit with the financial institutions in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limit. 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 – Accounts receivable consists of amounts due from the South Carolina Office of First Steps to School Readiness and/or private 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 – Prior year payroll tax expense was reclassified from program purchased services in the amount of $1,983. The reclassification was made to conform to current year presentation but had no effect on net assets.

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 not be involved with decisions regarding organizations they represent.

Certain board members are members of management of the Partnership's contractors, one of which is the Marion 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 $55,000 and $46,000 as expense for the years ended June 30, 2012 and 2011, respectively, related to the services provided by these contractors.

Note 3. Concentrations of Risks

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

The Partnership enters into various contracts with third parties for the performance of certain services consistent with the organization and purpose of the Partnership. The contracts vary in length, 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. Transfer of CDEPP

During the fiscal year ended June 30, 2012, the Partnership, at the request of the South Carolina Office of First Steps, transferred all of its net assets related to the Child Development Education Pilot Program ("CDEPP") to a separate legal entity which the South Carolina Office of First Steps formed to administer CDEPP funds going forward. This transfer of net assets is reported as a separate line item on the statements of revenues, expenses, and changes in net assets – modified cash basis.

Note 5. Subsequent Events

The Partnership has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2012, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through June 13, 2013, the date these financial statements were issued, and there were no subsequent events that required disclosure in these financial statements.