Independent Auditor's Report on
Audits of Financial Statements of

Newberry County First Steps

to School Readiness Partnership

for the years ended June 30, 2013 and 2012

Contents

Independent Auditor's Report 1-2

Financial Statements:

Statements of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis 3

Statements of Functional Expenses - Modified Cash Basis 4-5

Notes to Financial Statements 6-9

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Independent Auditor's Report

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

We have audited the accompanying financial statements of revenues, expenses, and changes in net assets - modified cash basis of Newberry County First Steps to School Readiness Partnership, a South Carolina non-profit corporation, (the "Partnership"), as of and for the years ended June 30, 2013 and 2012, and the related statements of functional expenses - modified cash basis, for the years then ended, and the related notes to the financial statements, which collectively comprise the Partnership's financial statements as listed in the table of contents.

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 opinions 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.

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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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above fairly present, in all material respects, the assets, liabilities, and net assets of the Partnership as of June 30, 2013 and 2012, 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 4, 2014

Newberry 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,

Temporarily restricted net assets:	2013	2012
Revenues:		
Grant revenues - South Carolina Office of First Steps to School Readiness:		
State allocation	$ 134,121	$ 130,730
Education Improvement Act	3,038	14,837
Interest income	2	5
Contribution income	5,745	3,224
Total revenues	142,906	148,796
Net assets released from temporary restrictions	(151,936)	(149,745)
Change in temporarily restricted net assets	(9,030)	(949)
Unrestricted net assets:		
Net assets released from temporary restrictions	151,936	149,745
Expenses:		
County operations	42,511	42,404
Family strengthening	72,479	69,963
School transition	5,923	5,114
Child care quality	31,023	32,264
Total expenses	151,936	149,745
Change in unrestricted net assets	-	-
Change in net assets	(9,030)	(949)
Net assets at beginning of the year:		
Cash	32,594	32,651
Accounts receivable	-	76
Accounts payable	(18,029)	(17,213)
	14,565	15,514
Net assets at end of the year:		
Cash	18,384	32,594
Accounts receivable	15	-
Accounts payable	(12,864)	(18,029)
	$ 5,535	$ 14,565

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

Newberry County First Steps to School Readiness Partnership
Statement of Functional Expenses - Modified Cash Basis
for the year ended June 30, 2013

	Administrative	Program			
	County operations	Family strengthening	School transition	Child care quality	Total
Salaries	$ 36,656	$ -	$ -	$ 21,966	$ 58,622
Payroll taxes	2,805	-	-	1,680	4,485
Professional development	145	-	-	-	145
Telephone	592	-	-	250	842
Office supplies	958	-	-	1,325	2,283
Insurance (non-health)	910	-	-	-	910
Travel	445	-	-	423	868
Program purchased supplies	-	27,800	1,541	3,102	32,443
Program purchased services	-	44,679	4,382	2,277	51,338
	$ 42,511	$ 72,479	$ 5,923	$ 31,023	$ 151,936

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

Newberry 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	School transition	Child care quality	Total
Salaries	$ 36,655	$ -	$ -	$ 21,967	$ 58,622
Payroll taxes	2,806	-	-	1,679	4,485
Telephone	421	-	-	313	734
Office supplies	971	-	-	289	1,260
Insurance (non-health)	914	-	-	-	914
Travel	637	-	-	490	1,127
Program purchased supplies	-	26,681	1,712	3,632	32,025
Program purchased services	-	43,282	3,402	3,894	50,578
	$ 42,404	$ 69,963	$ 5,114	$ 32,264	$ 149,745

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

Newberry 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.

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 State 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.

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 the organizations they represent.

Some of the Partnership's board are also members of management of other Partnership's contractors, one of which is the Newberry 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 $71,000 and $70,000 as expense for the years ended June 30, 2013 and 2012, respectively, related to the services provided by these contractors.

The Partnership has also contracted with the Newberry 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 all of its funding through the South Carolina Office of First Steps to School Readiness. Future funding is dependent upon annual evaluation of the Partnership's effectiveness and availability of amounts as appropriated by the South Carolina General Assembly to the South Carolina Office of First Steps to School Readiness for distribution to county First Steps Partnerships, of which the Partnership is one of forty-six partnerships receiving funding. The South Carolina First Steps to School Readiness 7-year legislative authorization ended June 30, 2013 (fiscal year 2013). However, the South Carolina General Assembly approved South Carolina First Steps to School Readiness in the fiscal year 2014 (July 2013 – June 2014) budget appropriation thereby extending it for one fiscal year. The South Carolina First Steps to School Readiness' management is currently working with the South Carolina General Assembly to extend its legislative authorization past June 30, 2014.

The Partnership enters into various contracts with third parties for the performance of certain services consistent with the organization and purpose of the Partnership. The contracts vary in length, however are generally one year or less and are subject to annual renegotiation. Substantially all amounts as shown in the statements of functional expenses, with the exception of those amounts expensed for administrative functions, were expenses associated with services and goods contracted for by the Partnership and provided by third parties, for the benefit of improving early childhood development on behalf of the Partnership.

Note 4. Subsequent Events

The Partnership has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2013, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through April 4, 2014, the date these financial statements were available to be issued, and there were no subsequent events that required disclosure in these financial statements.