

Report on Audits of Financial Statements of  
Union County First Steps  
to School Readiness Partnership  
*for the years ended June 30, 2012 and 2011*

## Contents

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Independent Auditor's Report.....	1
Financial Statements:	
Statements of Revenues, Expenses, and Changes in Net Assets - Modified Cash Basis .....	2
Statements of Functional Expenses - Modified Cash Basis.....	3-4
Notes to Financial Statements.....	5-8

## Independent Auditor's Report

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

We have audited the accompanying statements of revenues, expenses, and changes in net assets - modified cash basis of Union 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 Union 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  
January 28, 2013

Union 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>Temporarily restricted net assets:</u>	2012	2011
Revenues:		
Grant revenues - South Carolina Office of First Steps to School Readiness:		
State allocation	\$ 108,231	\$ 56,467
State private	163	816
Education Improvement Act	34,148	32,850
Federal	-	56,480
Interest income	7	177
Contribution income	16,545	12,831
Total revenues	159,094	159,621
Net assets released from temporary restrictions	(157,867)	(152,615)
Change in temporarily restricted net assets	1,227	7,006
 <u>Unrestricted net assets:</u>		
Net assets released from temporary restrictions	157,867	152,615
Expenses:		
County operations	61,031	55,259
Family strengthening	72,044	72,667
School transition	6,962	4,345
Child care quality	17,830	20,344
Total expenses	157,867	152,615
Change in unrestricted net assets	-	-
Change in net assets	1,227	7,006
 <u>Net assets at beginning of the year:</u>		
Cash	58,123	111,501
Accounts receivable	5,031	6,528
Accounts payable	(37,255)	(99,136)
	25,899	18,893
 <u>Net assets at end of the year:</u>		
Cash	56,513	58,123
Accounts receivable	1,000	5,031
Accounts payable	(30,387)	(37,255)
	\$ 27,126	\$ 25,899

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

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

	Administrative		Program				Total
	County operations		Family strengthening	School transition	Child care quality	11,718	
Salaries	\$ 44,000		\$ -	\$ -	\$ -	\$ 11,718	\$ 55,718
Payroll taxes	3,364		-	-	780	780	4,144
Fringe benefits	7,230		-	-	2,867	2,867	10,097
Professional development	100		-	-	-	-	100
Telephone	934		-	-	146	146	1,080
Office equipment-purchase	1,282		-	-	-	-	1,282
Office supplies	1,749		-	-	351	351	2,100
Insurance (non-health)	900		-	-	-	-	900
Travel	954		-	-	210	210	1,164
Miscellaneous	518		-	-	-	-	518
Program purchased supplies	-		4,516	1,600	273	273	6,389
Program purchased services	-		67,528	5,362	1,485	1,485	74,375
	\$ 61,031		\$ 72,044	\$ 6,962	\$ 17,830	\$ 17,830	\$ 157,867

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

**Union 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	39,817		-	-	11,250		51,067
Payroll taxes	3,046		-	-	786		3,832
Fringe benefits	7,050		-	-	2,284		9,334
Telephone	1,086		-	-	333		1,419
Office equipment-purchase	482		-	-	-		482
Office supplies	808		-	-	113		921
Insurance (non health)	940		-	-	-		940
Travel	851		-	-	187		1,038
Miscellaneous	230		-	-	-		230
Program purchased supplies	-		1,542	1,600	866		4,008
Program purchased services	949		69,991	2,745	4,525		78,210
Program purchased equipment	-		1,134	-	-		1,134
	<u>\$ 55,259</u>		<u>\$ 72,667</u>	<u>\$ 4,345</u>	<u>\$ 20,344</u>		<u>\$ 152,615</u>

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

Union 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.

Union 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 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. The Partnership has additional insurance/security in place for deposits in excess of FDIC limits.

**Accounts Receivable** – The Partnership’s accounts receivable consists of funds due from a private contributor.

**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.

## Union 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 not be involved with decisions regarding organizations they represent.

The Partnership entered into contracts with the Union County School District in 2012 and 2011 and Union County Carnegie Library in 2011. One of the board members of the Partnership executed these contracts on behalf of the School District. Total amounts expended under these contracts were approximately \$132,000 and \$94,000 for the years ended June 30, 2012 and 2011, respectively.

The Partnership has also consummated arm's length transactions with Union 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 benefit programs that are not available through the Partnership.

### **Note 3. Concentrations of Risks**

The Partnership receives a substantial portion 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, 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.

Union 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, 2012, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 28, 2013, the date these financial statements were available to be issued, and there were no subsequent events that required disclosure in these financial statements.