

**Independent Auditor's Report on Audits  
of Financial Statements of Richland County First Steps  
to School Readiness Partnership  
*for the years ended June 30, 2020 and 2019***

**and Supplemental Federal Financial Assistance Reports  
*for the year ended June 30, 2020***



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## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Richland 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, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 present fairly, in all material respects, the assets, liabilities, and net assets of the Local Partnership as of June 30, 2020 and 2019, and the revenue, expenses, and changes in its net assets 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.

## ***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 March 15, 2021, 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.

*Scott and Company LLC*

Columbia, South Carolina  
March 15, 2021



Richland 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, 2020 and 2019

<u>Net assets with donor restrictions:</u>	<u>2020</u>	<u>2019</u>
Revenues:		
Grant revenues - South Carolina Office of First Steps to School Readiness:		
State allocation	\$ 791,334	\$ 810,104
Federal revenue	2,086,565	1,230,489
Interest income	27	29
Contribution income	15,594	9,559
Total revenues	<u>2,893,520</u>	<u>2,050,181</u>
Net assets released from restrictions	<u>(2,873,213)</u>	<u>(1,960,143)</u>
Change in net assets with donor restrictions	<u>20,307</u>	<u>90,038</u>
<u>Net assets without donor restrictions:</u>		
Net assets released from restrictions	<u>2,873,213</u>	<u>1,960,143</u>
Expenses:		
County operations	87,362	41,589
Core functions	53,413	34,135
Family strengthening	162,640	207,856
Early education programs	2,273,104	1,392,619
Child care quality	296,694	283,944
Total expenses	<u>2,873,213</u>	<u>1,960,143</u>
Change in net assets without donor restrictions	<u>-</u>	<u>-</u>
Change in net assets	<u>20,307</u>	<u>90,038</u>
<u>Net assets at beginning of the year:</u>		
Cash	300,861	149,728
Accounts receivable	33,763	71,724
Prepaid expenses	2,857	41
Accounts payable	<u>(126,084)</u>	<u>(100,134)</u>
	<u>211,397</u>	<u>121,359</u>
<u>Net assets at end of the year:</u>		
Cash	286,863	300,861
Accounts receivable	139,417	33,763
Prepaid expenses	10,037	2,857
Accounts payable	<u>(204,613)</u>	<u>(126,084)</u>
	<u>\$ 231,704</u>	<u>\$ 211,397</u>

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

Richland 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	\$ 17,028		\$ 44,225	\$ 125,454	\$ 1,206,786	\$ 185,494	\$ 1,578,987
Payroll taxes	1,271		3,362	9,136	89,585	13,280	116,634
Fringe benefits	6,562		573	14,191	99,690	33,832	154,848
Consultants	19,340		-	-	95,334	5,125	119,799
Office rent	1,437		598	442	51,709	24,346	78,532
Utilities	-		-	-	256	-	256
Professional development	987		80	1,159	22,113	4,617	28,956
Telephone	1,427		431	1,854	9,776	2,901	16,389
Office equipment-rent	2,412		634	820	(1,752)	6,707	8,821
Office equipment-purchase	2,781		-	2,863	33,227	2,159	41,030
Office supplies	2,618		771	316	27,066	3,415	34,186
Insurance (non health)	2,110		143	106	4,055	866	7,280
Board expense	2,481		-	-	34	-	2,515
Food	1,066		841	254	453	105	2,719
Travel	229		28	2,936	11,763	3,296	18,252
Miscellaneous	25,435		11	337	18,830	970	45,583
Program purchased supplies	178		1,716	1,780	235,969	7,253	246,896
Program purchased services	-		-	992	98,360	2,328	101,680
Facility Renovations	-		-	-	269,850	-	269,850
	\$ 87,362		\$ 53,413	\$ 162,640	\$ 2,273,104	\$ 296,694	\$ 2,873,213

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

Richland County First Steps to School Readiness Partnership  
Statement of Functional Expenses- Modified Cash Basis  
for the year ended June 30, 2019

	Administrative	Program Services				
	County	Family				
	operations	Core functions	strengthening	Early education	Child care quality	Total
Salaries	\$ 8,823	\$ 22,875	\$ 164,527	\$ 894,924	\$ 156,580	\$ 1,247,729
Payroll taxes	1,091	2,783	11,979	65,263	10,489	91,605
Fringe benefits	2,537	990	11,766	98,568	24,575	138,436
Consultants	1,970	127	224	66,702	18,645	87,668
Office rent	1,261	2,626	388	50,451	24,004	78,730
Professional development	(358)	329	1,569	40,549	10,437	52,526
Telephone	223	150	2,829	11,704	4,797	19,703
Office equipment-rent	183	330	337	6,212	3,867	10,929
Office equipment-purchase	4,820	1,528	231	5,041	-	11,620
Office supplies	2,596	272	1,467	8,050	4,843	17,228
Insurance (non health)	394	164	121	2,938	990	4,607
Board expense	5,954	-	-	-	-	5,954
Food	1,420	230	722	132	52	2,556
Travel	433	1,339	7,736	14,597	6,220	30,325
Miscellaneous	10,242	392	-	7,461	93	18,188
Program purchased supplies	-	-	2,460	87,547	16,794	106,801
Program purchased services	-	-	1,500	32,480	1,558	35,538
	\$ 41,589	\$ 34,135	\$ 207,856	\$ 1,392,619	\$ 283,944	\$ 1,960,143

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



# Richland County First Steps to School Readiness Partnership

## Notes to Financial Statements

### Note 1. Summary of Significant Accounting Policies

**Partnership and Purpose** – Richland County First Steps to School Readiness Partnership (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 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.

# Richland County First Steps to School Readiness Partnership

## Notes to Financial Statements

### Note 1. Summary of Significant Accounting Policies (continued)

**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.

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. 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 \$12,830 during 2020, which is shown as a reduction in state allocation revenues on the statement of revenues, expenses, and changes in net assets.

**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.

**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, 2020, 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, 2020:

Federal	2018 – 2020
South Carolina	2018 – 2020



# Richland County First Steps to School Readiness Partnership

## Notes to Financial Statements

### Note 1. Summary of Significant Accounting Policies (continued)

**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.

**Cash** – The Local 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 Local Partnership has additional insurance/security in place for deposits in excess of FDIC limits.

**Accounts Receivable** – The Local Partnership’s accounts receivable consists of funds due from the federal government and the State Office of First Steps. These receivables do not accrue interest and management believes there is no allowance for doubtful accounts necessary for them.

**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.

**Recently Implemented Accounting Standard** – In June 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU is meant to clarify whether transactions should be accounted for as contributions, which are covered by Topic 958, Not for Profit Entities, or as exchange transactions under other guidance. The Local Partnership adopted the ASU effective July 1, 2019. Adoption of the ASU did not materially impact the Local Partnership’s financial statements.

### 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 disclose 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.

Some of the Local Partnership’s board members (elected and/or appointed) are also employees and/or members of management of organizations with which the Local Partnership has executed contracts for services, specifically the Richland County Public Library and Colonial Life and Accident Insurance Company. 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 has recognized approximately \$0 and \$18,800 as expense for the years ended June 30, 2020 and 2019, respectively, related to the services provided by these contractors.



# Richland County First Steps to School Readiness Partnership

## Notes to Financial Statements

### Note 3. Concentrations of Risks

The Local Partnership received approximately 27% and 40% of its total revenues through the South Carolina Office of First Steps to School Readiness for the years ended June 30, 2020 and 2019, respectively. 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 received approximately 70% and 60%, respectively, of its total revenues from federal grants for the years ended June 30, 2020 and 2019.

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, they 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 4. Commitments and Contingencies

On April 26, 2017, the Local Partnership entered into a lease agreement for the use of office space, effective June 26, 2017, with monthly payments of \$6,544 beginning September 1, 2017 and expiring August 31, 2022. Future minimum lease payments under this agreement are as follows for the years ended June 30,:

2021	\$	78,532
2022		78,532
2023		13,089
	\$	<u>170,153</u>

Office rent expense to the Local Partnership was \$78,532 and \$78,730 for the years ended June 30, 2020 and 2019, respectively.

*Contingencies* - The Local Partnership receives grant funds from a federal agency. The grant is subject to audit by agents of the granting agency, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Such audits could result in the possible liability for reimbursement or refund of grant monies to the grantor agency. However, the Local Partnership's management believes that any liability for reimbursement, which may arise as the result of such audits, would not be material to the financial position of the Local Partnership.

# Richland County First Steps to School Readiness Partnership

## Notes to Financial Statements

### Note 5. Property

During fiscal year 2012, the Local Partnership was granted federal funds with which it built a building on property (leased for 40 years) of another organization. This building is used to house program activities of the Local Partnership. Due to the use of federal funds, the required Notice of Federal Interest has been filed. The cost of the building was \$304,342. In the financial statements of the Local Partnership, this cost was expensed when purchased as required by the modified cash basis of accounting. If the Local Partnership was following Generally Accepted Accounting Principles (“GAAP”), the cost of the building would have been recorded as an asset at its cost and depreciated over a useful life of 40 years using straight-line depreciation. Under GAAP, the accumulated depreciation would have been \$64,676 and \$57,067 at June 30, 2020 and 2019, respectively. The net book value would have been \$239,666 and \$247,275 at June 30, 2020 and 2019, respectively.

### 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:	2020	2019
Cash and cash equivalents	\$ 286,863	\$ 300,861
Accounts receivable	139,417	33,763
Total financial assets	426,280	334,624
Less amounts not available to be used within one year	—	—
Financial assets available to meet general expenditures over the next twelve months	\$ 426,280	\$ 334,624

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.

### Note 7. Subsequent Events

The Local Partnership has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2020, for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through March 15, 2021, the date these financial statements were available to be issued, and except as noted below, there were no subsequent events that required disclosure in these financial statements.

In mid to late March 2020, the state of South Carolina along with the rest of the United States was severely impacted by the COVID-19 virus. As of the date of this report, the impact to the Local Partnership has been in the form of adjusting operations, employees working from home and/or taking leave, and shoring up communications. Management is continuously assessing the financial impact on its financial statements going forward.

Richland County First Steps to School Readiness Partnership  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Award #	Federal CFDA #	Federal Expenditures
<u>U. S. Department of Health and Human Services:</u>			
Direct:			
Head Start Program:			
Head Start	04CH4789	93.600	\$ 2,020,842
Passed through the University of South Carolina:			
Child Health and Human Development Extramural Research	1R01HD091483	93.865	<u>21,537</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>2,042,379</u>
<u>U.S. Department of Agriculture:</u>			
Child and Adult Care Food Program	5SC300329	10.558	<u>44,186</u>
<i>Total U.S. Department of Agriculture</i>			<u>44,186</u>
Total Federal Expenditures			<u>\$ 2,086,565</u>

*See accompanying independent auditor's report.*



Richland County First Steps to School Readiness Partnership  
Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2020

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Richland County First Steps to School Readiness Partnership (the "Local Partnership") under programs of the federal government for the year ended June 30, 2020.

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, 2019 through June 30, 2020. 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 and has accepted an indirect cost rate of 12.51 percent as allowed under the Uniform Guidance.

**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  
Richland 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 Richland 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, 2020 and 2019, 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 March 15, 2021.

**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 determination of financial statement amounts. 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  
March 15, 2021



**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  
Richland County First Steps to School Readiness Partnership  
Columbia, South Carolina

**Report on Compliance for the Major Federal Program**

We have audited the Richland 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, 2020. 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, 2020.

### **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  
March 15, 2021



Richland County First Steps to School Readiness Partnership  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020

**Section I - Summary of Auditor's Results**

**Financial Statements:**

We have issued an unmodified opinion dated March 15, 2021 on the financial statements of Richland 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 March 15, 2021 on Richland 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>
93.600	Department of Health and Human Services – Head Start

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

Auditee qualified as low-risk auditee? ..... Yes



Richland County First Steps to School Readiness Partnership  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2020

**Section II—Financial Statement Findings:**

NONE

**Section III—Federal Award Findings and Questioned Costs:**

NONE

**Summary Schedule of Prior Year Audit Findings:**

NONE