FINANCIAL STATEMENT AUDIT REPORT OF

REGION A PARTNERSHIP FOR CHILDREN, INC.

SYLVA, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2014

BOARD OF DIRECTORS

MARY OTTO SEIZER, BOARD CHAIR

ADMINISTRATIVE OFFICER

JANICE EDGERTON, EXECUTIVE DIRECTOR

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Independent Auditor's Report

To the Board of Directors
Region A Partnership for Children, Inc.
Sylva, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the Region A Partnership for Children, Inc., which comprise the Statement of Receipts, Expenditures, and Net Assets — Modified Cash Basis as of and for the year ended June 30, 2014, and the related Statement of Functional Expenditures — Modified Cash Basis, and the related notes to the financial statements.

Management's Responsibilities 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 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 audit. We conducted our audit 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 audit 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 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 entity'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 net assets of the Region A Partnership for Children, Inc. as of June 30, 2014, and the results of its operations for the year then ended, in accordance with the basis of accounting as described in Note 1.

Other Matters

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 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.

Report on Supplementary Information

Schedule 2 on page 19 is not a required part of the basic financial statements but is supplementary information required by the North Carolina Office of the State Auditor. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion or provide any assurance on Schedule 2.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules 1, 3, 4 and 5, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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, that information 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 January 21, 2015, on our consideration of the Region A Partnership for Children, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Region A Partnership for Children, Inc.'s internal control over financial reporting and compliance.

Elliott Davis PLLC

Raleigh, North Carolina
January 21, 2015

	Unrestricted Funds		Temporarily	Permanently	
	Smart Start Funds	Other Funds	Restricted Funds	Restricted Funds	Total Funds
Receipts:					
State Awards and Contracts	$ 1,195,875	$ 2,570,041	$ -	$ -	$ 3,765,916
Federal Awards	-	14,834	-	-	14,834
Private Contributions	-	166,594	53,195	-	219,789
Special Fund Raising Events	-	625	-	-	625
Interest and Investment Earnings	-	1,167	-	-	1,167
Sales Tax Refunds	-	1,793	-	-	1,793
Other Receipts	-	1,267	-	-	1,267
Total Receipts	1,195,875	2,756,321	53,195	-	4,005,391
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	-	58,443	(58,443)	-	-
	1,195,875	2,814,764	(5,248)	-	4,005,391
Expenditures:					
Programs:					
Child Care and Education Affordability	46,270	-	-	-	46,270
Child Care and Education Quality	154,601	1,170	-	-	155,771
Family Support	378,427	24,069	-	-	402,496
Health and Safety	238,385	54,679	-	-	293,064
NC Pre-K	-	2,558,266	-	-	2,558,266
Support:					
Fundraising and Outreach	11,987	4,964	-	-	16,951
Management and General	259,204	48,095	-	-	307,299
Program Coordination and Evaluation	107,001	16,411	-	-	123,412
Other:					
Sales Tax Paid	-	2,649	-	-	2,649
Total Expenditures	1,195,875	2,710,303	-	-	3,906,178
Excess/Deficiency of Receipts Over Expenditures	-	104,461	(5,248)	-	99,213
Net Assets at Beginning of Year	-	506,092	122,942	26,298	655,332
Net Assets at End of Year	$ -	$ 610,553	$ 117,694	$ 26,298	$ 754,545
Net Assets Consisted of:					
Cash and Cash Equivalents	$ -	$ 610,865	$ 117,694	$ -	$ 728,559
Beneficial Interest in Community Foundation	-	-	-	26,298	26,298
Investments	-	1,985	-	-	1,985
Refunds Due From Contractors	12,439	-	-	-	12,439
	12,439	612,850	117,694	26,298	769,281
Less: Due to State	12,439	-	-	-	12,439
Funds Held for Others	-	2,297	-	-	2,297
TOTAL NET ASSETS	$ -	$ 610,553	$ 117,694	$ 26,298	$ 754,545

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

Region A Parnership for Children, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2014 ***Exhibit B***

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
Smart Start Funds:								
Programs:								
Child Care and Education Affordability	$ 46,270	$ -	$ -	$ -	$ -	$ -	$ -	$ 46,270
Child Care and Education Quality	154,601	-	37,500	551	245	-	704	115,601
Family Support	378,427	67,818	14	2,175	6,948	-	1,394	300,078
Health and Safety	238,385	10,310	-	-	1,160	-	-	226,915
	817,683	78,128	37,514	2,726	8,353	-	2,098	688,864
Support:								
Fund Raising	11,987	11,280	-	-	707	-	-	-
Management and General	259,204	200,042	1,403	6,357	28,040	4,611	18,751	-
Program Coordination and Evaluation	107,001	101,031	-	372	5,358	-	240	-
	378,192	312,353	1,403	6,729	34,105	4,611	18,991	-
Total Smart Start Fund Expenditures	$ 1,195,875	$ 390,481	$ 38,917	$ 9,455	$ 42,458	$ 4,611	$ 21,089	$ 688,864
Other Funds:								
Programs:								
Child Care and Education Quality	$ 1,170	$ -	$ -	$ -	$ 1,144	$ -	$ 26	$ -
Family Support	24,069	-	-	156	1,639	-	800	21,474
Health and Safety	54,679	44,419	-	3,245	6,325	60	350	280
NC Pre-K	2,558,266	93,017	821	883	9,258	696	2,018	2,451,573
	2,638,184	137,436	821	4,284	18,366	756	3,194	2,473,327
Support:								
Fundraising and Outreach	4,964	4,941	-	-	23	-	-	-
Management and General	48,095	10,749	900	737	11,656	20,438	2,015	1,600
Program Coordination and Evaluation	16,411	11,614	-	-	3,297	1,500	-	-
	69,470	27,304	900	737	14,976	21,938	2,015	1,600
Other:								
Sales Tax Paid	2,649	-	-	2,649	-	-	-	-
	2,649	-	-	2,649	-	-	-	-
Total Other Funds Expenditures	$ 2,710,303	$ 164,740	$ 1,721	$ 7,670	$ 33,342	$ 22,694	$ 5,209	$ 2,474,927

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Region A Partnership for Children, Inc. (RAPC) is a legally separate nonprofit organization incorporated on April 15, 1994. The RAPC was established to develop, provide and fund, through public and private means, early intervention services for children and families, as well as supporting the early childhood education community. The RAPC is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

B. Basis of Presentation - The accompanying financial statements present all funds for which the RAPC's Board of Directors is responsible. Pursuant to the provisions of the Financial Accounting Standards Board's standards for not-for-profit entities, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the standards, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

Contributions that are temporarily restricted and not expended within the year received are reported as an increase in temporarily restricted net assets. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as net assets released from restrictions.

Permanently restricted net assets include gifts and contributions that are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the RAPC.

C. Basis of Accounting - The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased, it recognizes revenue when received rather than when earned, and it recognizes expenditures when paid rather than when incurred. Also, long-term liabilities such as loans payable are not recorded on the accompanying financial statements under this modified cash basis of accounting.

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. Additionally, Smart Start funds advanced to the Local Partnership that are unexpended and unearned at year end are recorded as funds Due to the State.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. **Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificates of deposit and other short-term investments with an original maturity of three months or less.

E. **Investments** - This classification includes shares of equity securities donated to the RAPC. Under the modified cash basis of accounting, investments in marketable securities are reported at fair market value on the date of donation, which may differ significantly from their current fair market value.

F. **Beneficial Interest in Community Foundation-** This classification consists of funds invested with the North Carolina Community Foundation as reported in Note 10.

G. **Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the advances are recorded as a reduction to the State awards balance.

H. **Due to the State** - The funding provided by the State of North Carolina for the Smart Start Initiative is funded on a cost-reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.

I. **Funds Held For Others** – Funds held for others includes amounts received that are fiduciary in nature in which the RAPC acts in an agency capacity. At June 30, 2014, the RAPC was holding funds for Local lnter-agency Coordinating Councils and the Alley Children's Fund.

J. **Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, RAPC is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The RAPC has a policy to track purchases of property and equipment items with an individual cost of $500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2014. Donated items are recorded on the property and equipment log at estimated fair market value at the date of donation.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

K. Compensated Absences - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

L. Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting used by the RAPC requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

M. Qualifying Match and Contributions In-Kind – Region A Partnership, in accordance with applicable Smart Start legislation, reports qualifying match provided at both the partnership and the contractor level; the qualifying match is reported in the supplemental Schedule 5. The match includes cash received and expended at the partnership level, which is comprised of cash receipts included in the modified cash basis financial statements as well as parent fees, which are not included in the modified cash basis financial statements. The qualifying match reported on Schedule 5 for cash provided at the contractor level and for in-kind goods and services at both the partnership and contractor levels is not recorded in the modified cash basis financial statements. In-kind contributions could be donated equipment, supplies, office space, or services. Region A Partnership also benefits from donated volunteer hours, which do not require specific expertise but which are nonetheless central to Region A Partnership's operations. See supplemental Schedule 5 for more information on contributions in-kind.

NOTE 2 - DEPOSITS

All funds of the RAPC are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank.

Deposits over insured amounts, subjects the RAPC to a concentration of credit risk. At June 30, 2014, RAPC bank deposits in excess of the FDIC insured limit was $613,083.

NOTE 3 - INVESTMENTS

In prior years, the RAPC received two separate donations of stock certificates of publicly traded corporations. The donations were recorded as unrestricted contributions – Other Funds. Under the modified cash basis of accounting, these investments were recorded at their carrying value which was established by their values on the date of donation. At their date of donation the amount for the two contributions totaled $1,985.

On June 30, 2014 the Fair Market Value of the equity investments had a combined value of $2,853 for a combined unrealized gain of $868.

NOTE 4 - FUNDING FROM GRANT AWARDS AND CONTRACTS

North Carolina Pre-Kindergarten (NC Pre-K) – The RAPC's major source of revenue and support is from the State of North Carolina Department of Health and Human Services' Division of Child Development and Early Education for the NC Pre-K Program. The RAPC was awarded $2,559,764 and received $2,553,640 in State funds during the fiscal year ending June 30, 2014 and used additional $4,618 in other funds to support this program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of this program.

The RAPC expects to receive continued funding through the North Carolina Department of Health and Human Services Division of Child Development and Early Education (DCDEE) for the North Carolina Pre-Kindergarten program through fiscal year 2015.

Smart Start Program - Another major source of revenue and support for the RAPC is from the State of North Carolina based on cost-reimbursement contracts with The North Carolina Partnership for Children, Inc. (NCPC) for the Smart Start Program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of the RAPC and represents a concentration of risk as to the generation of revenue.

Associated with these contracts, the RAPC is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During the year, the North Carolina Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the RAPC. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

NOTE 4 - FUNDING FROM GRANT AWARDS AND CONTRACTS, CONTINUED

The RAPC was awarded and has received $1,208,314 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The RAPC has refunded $12,439 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2014.

The RAPC expects to receive continued funding through new Smart Start contracts with the State.

Cherokee Preservation Foundation – The RAPC was awarded a grant of $53,190 from the Cherokee Preservation Foundation to support local head start programs in preserving the Cherokee language through teacher trainings and curriculum development. Of this amount $245 has been expended.

Evergreen Foundation – The RAPC was awarded a grant of $18,750 from the Evergreen Foundation in support of the Family Support Network of Region A expansion efforts. Of this amount $18,750 has been expended.

Family Support Network of North Carolina – The RAPC was awarded a total of $13,608 in grants passed through the Family Support Network of North Carolina. Of this amount, $13,608 was expended.

The RAPC Children expects to receive continued funding for Family Support Network contracts through the Family Support Network of North Carolina through fiscal year 2015.

Multi-County Accounting and Contracting – RAPC also received revenue and support from the state of North Carolina for their participation in the Multi-County Accounting and Contracting program. The unexpended balance of this contract is subject to reversion to the State. The RAPC was awarded and received $13,613 under a current year contract for the payment of accounting services.

Private Contributions - An additional $143,574 in unrestricted private endowment proceeds, grants and donations were received.

NOTE 5 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The Board members of the RAPC are representative of various organizations that benefit from actions taken by the Board. It is the policy of the RAPC that Board members not be involved with decisions regarding organizations they represent. During the year, the RAPC entered into contracts with Board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the RAPC's Smart Start allocation.

NOTE 6 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis. Also, the Statement of Functional Expenditures – Modified Cash Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

A. Program Functions

Child Care and Education Affordability - Used to account for subsidy contract administration.

Child Care and Education Quality - Used to account for service activities such as provider training, quality enhancement, social and emotional behavioral support for child care professionals, learning materials and teaching aids, and resource assessment.

Family Support - Used to account for service activities such as family resource centers, Parents as Teachers, Reach Out and Read, Reading Rover, and Raising A Reader.

Health and Safety - Used to account for service activities such as health screenings, prenatal/newborn services, child care health consultants, early education and intervention for families of children with special needs, and nutrition and physical activity programs.

North Carolina Pre-kindergarten – Used to account for development and implementation of the North Carolina Pre-kindergarten (NC Pre-K) program for four-year-olds who are at risk of failure in kindergarten. The program provides quality pre-kindergarten services in order to enhance school readiness.

NOTE 6 - FUNCTIONAL EXPENDITURES, CONTINUED

B. Support Functions

Fundraising and Outreach - Expenditures that are incurred in providing information to the community and inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

Management and General - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

Program Coordination and Evaluation - Expenditures that are incurred to coordinate the policies, procedures, daily practices, and evaluation of service delivery. Also, costs associated with providing technical assistance, monitoring and reporting of in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Direct allocation based on employee time reports.

Occupancy Costs – Occupancy costs are allocated between the administration funds of the organization's two major programs Smart Start and NC Pre-K. The allocation is calculated as a percentage by dividing the space used for each function by the total square footage and applying that ratio to actual occupancy related expenses.

Other Costs – Costs such as supplies, materials and communications are directly allocated or allocated as part of a Board approved cost allocation between Smart Start and NC Pre-K.

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Plans - The RAPC has a Simplified Employee Pension plan (SEP Plan) covering permanent employees. Each permanent employee of the RAPC receives a SEP-IRA account established through an external custodian. The RAPC contributed 8.3% of gross wages for the year ended June 30, 2014. The RAPC does not own the accounts nor is liable for any other cost other than the required contribution. The RAPC contributed $33,838 for pension benefits during the year.

NOTE 8 - RISK MANAGEMENT

The RAPC is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The RAPC manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk of Loss Retained
Torts, errors and omissions, health and life	Purchased commercial insurance	None
Workers Compensation	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant losses to the RAPC. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

A. Compensated Absences - As a result of the RAPC's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2014, is $26,752. No funds or reservation of net assets has been made for this commitment.

B. Loan Commitment - The RAPC has a note with a balance of $47,509 on June 30, 2014 for the sole purpose of financing a social enterprise. The note is secured by a negative pledge agreement on the RAPC's office building and payable to a bank in monthly installments $1,592. The interest rate is fixed at an annual rate of 5.875%. During the year interest paid on the note totaled $3,387. The future scheduled maturities of long-term debt are as follows:

Fiscal Year	Principal Amount	Interest Amount
2015	$ 16,271	$ 2,830
2016	17,239	1,861
2017	13,999	884
Total Loan Payments	$ 47,509	$ 5,575

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2014 are available for the following purposes:

Purpose	Amount
Reach Out and Read Community Grant	$ 3,956
Annual Campaign for Literacy	11,511
Cherokee Language Preservation	52,945
WNC Community Foundation – PAT Expansion	37,944
Family Support Network	4,701
Webster Child Development Center	624
CP&L Haywood County Projects	112
Duke Energy – Family Support	4,103
Local Interagency Coordinating Council	1,047
Training Outreach	250
ABCD Project	20
Hayesville Child Development Center	481
	$ 117,694

NOTE 10 - RESTRICTIONS ON NET ASSETS, CONTINUED

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2014, by incurring expenditures satisfying the restricted purposes as follows:

Purpose		Amount
Obesity Prevention	$	1,382
Literacy Programs		1,587
Parents as Teachers Expansion		37,055
Family Support Network		18,419
	$	58,443

C. Permanently Restricted Net Assets – Permanently restricted net assets at June 30, 2014 were restricted for the following purposes:

Purpose		Amount
Carolina Mountain Trust for Children and Youth	$	26,298

D. Benefit Interest in Endowments

In 2006, the RAPC became a beneficiary of the Edward W. Jr. and Margaret G. Brown Endowment and the Edward and Margaret Brown Endowment for Save the Children and Region A Partnership for Children (Brown Endowments). Annual distributions, if any, from these two endowments are prorated amount beneficiaries. Distributions to the RAPC are unrestricted and are included in private contributions in the Statement of Receipts, Expenditures and Net Assets.

Under the modified-cash basis of accounting, the RAPC's beneficial interest in the Brown Endowments is not recorded on the books of the RAPC. On June 30, 2014, the fund balances and the percent of the annual distribution participation rates, if any, designated to the RAPC are as follows:

The Edward W. Jr. and Margaret G. Brown Endowment:	$3,918,092	90%
The Edward and Margaret Brown Endowment For Save the Children and Region A Partnership For Children:	$7,436,403	10%

NOTE 10 - RESTRICTIONS ON NET ASSETS, CONTINUED

E. Beneficial Interest in Community Foundation

In addition, in February 1995, RAPC and the Region A Child and Youth Planning Council (the Donors) created the Carolina Mountain Trust for Children and Youth Endowment (Endowment) with the North Carolina Community Foundation (NCCF). The agreement between the Donors and NCCF provides that all the contributions to the Endowment are irrevocable. NCCF will make distributions of the income earned on the Endowment subject to NCCF's spending policy. The agreement also permits NCCF to substitute another beneficiary in the place of the Donors if the Donors cease to exist or cease to be an organization described in Internal Revenue Code Sections 170C and 501c(3). Therefore, the Donors have explicitly granted variance power to NCCF. RAPC's endowment position is identified on the Statement of Receipts, Expenditures and Net Assets – Modified Cash Basis as the Beneficial Interest in Community Foundation. The fair value of the Endowment administered by NCCF at June 30, 2014 was $62,318; however under the modified cash basis of accounting, the original cost basis of contributions is reported on the Statement of Receipts, Expenditures and Net Assets – Modified Cash Basis.

NOTE 11 - ENDOWMENTS

Interpretation of Endowment under Uniform Prudent Management of Institutional Funds Act (UPMIFA)

In August 2008, FASB ASC 958-205 (FASB Staff Position No. FAS 117-1) (FSP) *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures of All Endowment Funds,* was issued, and its guidance is effective for fiscal years ended December 31, 2008. A key component of the FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component of the FSP is a requirement for expanded disclosures for all endowment funds.

Through March 19, 2009, the RAPC management and investment of donor-restricted endowment funds were subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA) that serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending.

NOTE 11 - ENDOWMENTS, CONTINUED

BASIS OF Endowment Accounting

Under the modified cash basis of accounting, the RAPC records contributions and endowment investment earnings on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Contributions from funds held, raised or collected by RAPC and processed through its bank accounts are recorded as permanently restricted net assets.

Contributions from funds held, raised or collected by RAPC but not processed through its bank accounts are not recorded. Permanently restricted contributions sent directly by a third party to the community foundation are not recorded in the general ledger of the RAPC. There were no such third party contributions directly to the foundation during the year ended June 30, 2014. Similarly, investment earnings and expenses of endowments held by the community foundation are not recorded in the general ledger of the RAPC, unless such earnings and expenses pass through its bank accounts.

Endowment net asset composition by fund type as of June 30, 2014 follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Funds	$ -	$ -	$ 26,298	$ 26,298

NOTE 12 - INCOME TAXES

The RAPC is exempt from payment of income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except to the extent of taxes on any unrelated business income.

FASB ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing financial statements to determine whether the tax positions are “more-likely-than-not” to be sustained by the applicable tax authority.

The RAPC does not believe there are any unrecognized tax benefits or costs as of June 30, 2014. Income tax returns from 2011 through 2013 are open for examination by taxing authorities.

NOTE 13 - SUBSEQUENT EVENTS

The RAPC has evaluated events and transactions that occurred between June 30, 2014 and January 21, 2015, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Events or transactions that provided evidence about conditions that did not exist at June 30, 2014 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2014.

Region A Partnership for Children, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2014 — ***Schedule 1***

Organization Name	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
Cherokee Central Schools	$ -	$ -	$ 98,617	$ -
Cherokee County Health Department	46,500	-	-	-
Cherokee County Schools	-	-	436,612	-
Clay County Health Department	30,684	3,778	-	-
* Clay County Schools	27,125	-	191,835	-
Family Resource Center of Cherokee County	79,481	2,867	8,350	-
* Fontana Regional Library	57,908	-	-	-
Four Square Community Action, Inc.	-	-	103,050	-
* Graham County Department of Public Health	18,356	762	-	-
Graham County Schools	-	-	148,624	-
Haywood Community College	-	-	116,675	-
Haywood County Health Department	8,596	-	-	-
Haywood County Schools	-	-	223,398	-
Jackson County Department of Public Health	54,476	-	-	-
Kids Advocacy Resource Effort, Inc.	101,481	-	1,850	-
* Macon County Department of Public Health	48,738	128	-	-
Macon County Schools	-	-	143,530	-
* Macon Program for Progress, Inc.	45,891	-	198,113	-
Mountain Projects	-	-	107,700	-
Swain County Family Resource Center	45,000	780	3,360	-
* Swain County Health Department	26,050	1,817	-	-
* Southwestern Child Development Commission	111,017	2,307	367,692	-
Swain Couny Schools	-	-	323,641	-
	701,303	12,439	2,473,047	-
Individuals:				
Parents/Child Care Training (5 Individuals)	-	-	280	-
Participant Stipends (8 School Districts)	-	-	1,600	-
	-	-	1,880	-
	$ 701,303	$ 12,439	$ 2,474,927	$ -

* These organizations are represented on the Partnership's Board as described in Note 5 - Service Provider Contracts with Board Member Organizations.

	Organization Name		DHHS Contracts
	Child Care Services Association - WAGES	$	262,862
*	Southwestern Child Development Commission, Inc		811,756
		$	1,074,618

* These organizations are represented on the Partnership's Board as described in Note 5 - Service Provider Contracts with Board Member Organizations.

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 4 - Funding from Grant Awards and Contracts.

Region A Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2014 ***Schedule 3***

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
US Department of Health and Human Services				
Administration for Children and Families				
North Carolina Department of Health and Human Services				
Division of Social Services				
Pass through				
The University of North Carolina at Chapel Hill				
Supporting Families With Children Who Have Special Needs	93.xxx	5-57562	$ 10,820	$ 10,820
US Department of Education				
Office of Special Education and Rehabilitation Services				
North Carolina Department of Health and Human Services				
Division of Public Health				
Pass-through				
The University of North Carolina at Chapel Hill				
Family Support Network Central Directory of Resources, Training and Family Support Activities	84.181	5-57309	4,014	-
Total Federal Awards			$ 14,834	$ 10,820
State Awards:				
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
Pass-through from The North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program (Current Year)	*		$ 1,195,875	$ 1,195,875
Multi-Partnership Accounting and Contracting Grant (Prior Year)			13,613	13,613
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
NC Pre-K	*	29096	2,553,640	2,553,640
Division of Public Health				
Pass through				
The University of North Carolina at Chapel Hill		2-38429-SUB-08	2,788	2,788
Family Support Network Affiliation				
Total State Awards			3,765,916	3,765,916
Total Federal and State Awards			$ 3,780,750	$ 3,776,736

* Programs with compliance requirements that have a direct and material effect on the financial statements.

Region A Partnership for Children, Inc.

Schedule of Property and Equipment - Modified Cash Basis

June 30, 2014 ***Schedule 4***

Furniture and Noncomputer Equipment	$	10,151
Computer Equipment/Printers		58,244
Buildings		175,064
Total Property and Equipment	$	243,459

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of $500 or more which were held by the Partnership at year end. The valuations represent historical cost. On the modified cash basis of accounting, these items are expensed in the year of purchase.

Match Provided at the Partnership Level:

Cash	$ 216,490
In-Kind Goods and Services	13,710
	230,200

Match Provided at the Contractor Level:

Cash	88,365
In-Kind Goods and Services	142,770
	$ 231,135

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2013-360, Section 12B.9(d). The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.

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*

Board of Directors
Region A Partnership for Children, Inc.
Sylva, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Region A Partnership for Children, Inc., as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Region A Partnership for Children, Inc.'s basic financial statements, and have issued our report thereon dated January 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Region A Partnership for Children, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Region A Partnership for Children, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Region A Partnership for Children Inc.'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 entity'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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Region A Partnership for Children, Inc.'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Elliott Davis PLLC

Raleigh, North Carolina
January 21, 2015