FINANCIAL STATEMENT AUDIT REPORT OF SMART START ROWAN, INC. SALISBURY, NORTH CAROLINA FOR THE YEAR ENDED JUNE 30, 2014

BOARD OF DIRECTORS

PHILLIP BARTON, CHAIRMAN

ADMINISTRATIVE OFFICER

AMY BROWN, EXECUTIVE DIRECTOR

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Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

James P. Winston H, CPA Gary L. Williams, CPA Carleen P. Evans, CPA

Jennifer T. Reese, CPA Curtis G. Van Horne, CPA Cathy E. McKinley, CPA Tara H. Roberson, CPA K. Jamison Crampton, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board Members of Smart Start Rowan, Inc. Salisbury, North Carolina

Report on Financial Statements

We have audited the accompanying statement of receipts, expenditures, and net assets – modified cash basis of Smart Start Rowan, Inc. as of and for the year ended June 30, 2014, and the related statement of functional expenditures – modified cash basis for the year then ended 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 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

102 W. Spring Street • P.O. Box 1366 • Oxford, NC 27565 • (919) 693-5196 • fax (919) 693-7614 www.wwcecpa.com



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 statement of receipts, expenditures and net assets of Smart Start Rowan, Inc., as of and for the year ended June 30, 2014, and the statement of functional expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Other Matter

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.

Report on Supplementary Information

Schedule 2 on page 18 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 of Smart Start Rowan, Inc. The accompanying supplementary Schedules 1, 3, 4 and 5 are also presented for purposes of additional analysis 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 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 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 February 26, 2015, on our consideration of Smart Start Rowan, Inc.'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 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

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of an audit performed in accordance with *Government Auditing Standards* in considering the Smart Start Rowan, Inc.'s internal control over financial reporting and compliance.

Winston, Williams, Creech, Evans & Company, LLP

Oxford, North Carolina February 26, 2015

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Smart Start Rowan, Inc. Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis For the Year Ended June 30, 2014

Exhibit A

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| | | Unrestri | cted F | unds | Т | emporarily | | |
|--|-------------|---------------------|---------|----------------|----|---------------------|----|----------------|
| | | Smart Start Fund | | Other Funds | | Restricted Funds | | Total Funds |
| Receipts: | | | | | | | - | |
| State Awards and Contracts Federal Awards | \$ | 1,708,586 | \$ | 1,360,734 | \$ | - | \$ | 3,069,320 |
| Private Contributions | | - | | 31,227 | | 64 | | 31,291 |
| Sales Tax Refunds | | - | | 9,922 | | 2,984 | | 12,906 |
| Other Receipts | | - | | 3,922 | | - | | 3,922 |
| Other Neterpis | | | | 11,265 | | | | 11,265 |
| Total Receipts | | 1,708,586 | · | 1,417,070 | | 3,048 | | 3,128,704 |
| Net Assets Released from Restrictions: | | | | | | | | |
| Satisfaction of Program Restrictions | · | | | 11,872 | | (11,872) | | |
| | | 1,708,586 | | 1,428,942 | | (8,824) | | 3,128,704 |
| Expenditures: | | | | | | | | |
| Programs: | | | | | | | | |
| Child Care and Education Affordability | | 789,317 | | 687 | | - | | 790,004 |
| Child Care and Education Quality | | 174,550 | | 15,214 | | - | | 189,764 |
| Family Support Heaith and Safety | | 241,200 | | 13,750 | | - | | 254,950 |
| NC Pre-K | | 210,794 | | 24,259 | | - | | 235,053 |
| Support: | | - | | 1,417,766 | | - | | 1,417,766 |
| Management and General | | 156,276 | | 3,984 | | - | | 160,260 |
| Program Coordination & Evaluation | | 136,449 | | 59 | | - | | 136,508 |
| Other: | | | | | | | | |
| Refund of Prior Year Grant | | - | | 3,835 | | - | | 3,835 |
| Sales Tax Paid | | - | | 3,214 | | - | | 3,214 |
| Total Expenditures | | 1,708,586 | | 1,482,768 | | | | 3,191,354 |
| | | | | | | , | ~ | 0,101,004 |
| Excess of Receipts Over Expenditures | | - | | (53,826) | | (8,824) | | (62,650) |
| Net Assets at Beginning of Year | | | | 258,273 | | 34,341 | | 292,614 |
| Net Assets at End of Year | \$ | - | \$ | 204,447 | \$ | 25,517 | \$ | 229,964 |
| Net Assets Consisted of: | | | | | | | | |
| Cash and Cash Equivalents | \$ | 41,176 | \$ | 205,005 | \$ | 25,517 | \$ | 271,698 |
| | | 41,176 | | 205,005 | | 25,517 | | 271,698 |
| Less: Due to State | | 41,176 | | - | | - | | 41,176 |
| Funds Held for Others | <u> </u> | * | | 558 | | - | | 558 |
| | \$ | | \$ | 204,447 | \$ | 25,517 | \$ | 229,964 |

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

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| For the Year Ended June 30, 2014 | | | | | i I | | | Exhibit B |
|--|---------------------|------------|------------------------|------------------------------|------------------------------------|-------------------------------|---------------------------|-------------------------|
| | Total | Personnel | Contracted Services | Supplies and Materials | Other Operating Evnanditures | Fixed Charges and Other | Property and Equipment | Services/ Contracts/ |
| Smart Start Funds: Proceedings | | | | | | cxpenditures | Outlay | Grants |
| Child Care and Education Affordability | 789 347 | 6 6 | | | | | | |
| Child Care and Education Ouality | | Ŧ | | 494 | \$ 847 | \$ 1,548 | s S | \$ 759,640 |
| Family Support | | 1 18,400 | 1,100 | 11,327 | 16,251 | 14,875 | 1,374 | 10,143 |
| Health and Safety | 241,200 | 162,319 | 17,519 | 3,233 | 18,149 | 9,342 | 2,133 | 8,505 |
| | | | 28,491 | 691 | 512 | 1 | • | 181,100 |
| Support: | 100,014,1 | 186,825 | 47,110 | 15,745 | 35,759 | 25,765 | 3,513 | 959,388 |
| Management and General | 156,276 | 121,141 | 8 037 | 1 EAA | | | | |
| Program Coordination and Evaluation | 136,449 | 85,646 | 37,401 | 927 | 4.0.4 4.266 | 11,/0/ | 1,173 | |
| | 292,725 | 206.787 | 45,438 | 2,373 | 16,840 | 17.579 | 3 708 | 1 |
| Total Smart Start Fund Expenditures | <u>\$</u> 1,708,586 | \$ 535,368 | \$ 92.548 | S 18.11B | \$ £2 £00 | | | |
| | | | | | 5000 A | 40,044 | 5 1,221 | \$ 959,388 |
| Other Funds: | | | | | | | | |
| Programs: | | | | | | | | |
| Child Care and Education Affordability | 687 | · | ı | 36 | | | | |
| Child Care and Education Quality | 15,214 | 14,416 | , | 73 | 125 | | F | 651 800 |
| | 13,750 | • | ŗ | 1,124 | 288 | 330 | | |
| NC Drok | 24,259 | 4,475 | 6,314 | ı | 532 | | | 12 438 |
| | 1,417,766 | 56,600 | 2,358 | 528 | 3,511 | 1,946 | œ | 1 352 815 |
| Support: | 1,4/1,5/6 | 75,491 | 8,672 | 1,761 | 4,456 | 2,276 | 80 | 1,379,012 |
| Management and General | 3.984 | 1 970 | | 5.46 | | | | |
| Program Coordination and Evaluation | 53 | (339) | | 215 | 7/c'1 35 | 130 | I | I |
| 044 | 4,043 | 1,631 | | 530 | 1.607 | 275 | | |
| | | | | | | | | |
| Retund of Prior Year Grant | 3,835 | | ı | • | • | 3 835 | | I |
| Sales lax Paid | 3,214 | | | 3,214 | , | - | ı | |
| | 7,049 | • | I | 3,214 | | 3,835 | | |
| Total Other Funds Expenditures | <u>S</u> 1,482,768 | \$ 77,122 | <u>5</u> 8,672 | 5,505 | \$ 6,063 | \$ 6,386 | 8 | \$ 1,379,012 |
| | | | | | | | | |

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

Sinart Start Rowan, Inc.

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Statement of Functional Expenditures - Modified Cash Basis

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose The Smart Start Rowan, Inc (the Rowan Partnership) is a legally separate nonprofit organization incorporated on February 22, 1994. The Rowan Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Rowan Partnership 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 Rowan Partnership Board of Directors is responsible. Pursuant to the provisions of Financial Accounting Standards Board's Accounting 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 this Standard, 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 as net assets released from restrictions.

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The Rowan Partnership did not have any permanently restricted net assets at June 30, 2014.

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.

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.

- **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 certificate of deposits or short-term investments with an original maturity of three months or less.
- E. 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.
- F. Funds Held For Others Funds Held for Others includes amounts received that are fiduciary in nature in which the Rowan Partnership acts in an agency capacity. For the year ended June 30, 2014, the Rowan Partnership was holding amounts withheld from employee paychecks in the amount of \$293 for Flexible Spending Accounts, \$111 for Dental Insurance, and Garnishments \$154.
- **G.** Property and Equipment Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Rowan Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Rowan Partnership 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.
- H. Use of Estimates The preparation of financial statements in conformity with the modified cash basis of accounting used by the Rowan Partnership 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.
- I. Qualifying Match and Contributions In-Kind Smart Start Rowan, Inc., 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 supplemental Schedule 5. The match includes cash received and expended at the Partnership level, which is 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. Smart Start Rowan, Inc. also benefits from donor volunteer hours which do not require specific expertise but which are nonetheless central to Smart Start Rowan, Inc.'s operations. See supplemental Schedule 5 for more information on contributions in-kind.

NOTE 2 - DEPOSITS

All funds of the Rowan Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Deposits over insured amounts subjects the Rowan Partnership to a concentration of credit risk. At June 30, 2014, the Rowan Partnership's bank deposits in excess of the FDIC insured limit was \$81,322.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

Smart Start Program - The Rowan Partnership's major source of revenue and support 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 Rowan Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Rowan Partnership 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 Rowan Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into DHHS is presented on Schedule 2 accompanying the financial statements.

The Rowan Partnership was awarded and has received \$1,749,762 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Rowan Partnership has refunded \$41,176 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2014.

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

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NC Pre-K - The Rowan Partnership also received revenue and support from the State of North Carolina for the NC Pre-K program. The Rowan Partnership was awarded \$1,419,675 and received \$1,360,734 under a current year financial assistance contract.

Regional Child Care Resource and Referral Program (CCRR) – The Rowan Partnership also received revenue and support from Child Care Resources Incorporated (CCRI) based on a cost-reimbursement contract with Child Care Resource & Referral Core Services. The Rowan Partnership was awarded and has received \$14,416 under a current year contract with Child Care Resources Incorporated. The unexpended balance of this contract is subject to reversion to CCRI. The Rowan Partnership expects to receive funding through CCRI contracts.

Race to the Top—Early Learning Challenge Grant - The Rowan Partnership also received revenue and support from the North Carolina Department of Health and Human Services (DHHS) for the Race to the Top— Early Learning Challenge grant (RTT-ELC). The RTT-ELC grant is a federally funded initiative to reduce disparities in school readiness among children with high needs and their peers. The Rowan Partnership was awarded \$20,000 and received \$10,000 under a prior year RTT-ELC grant and was also awarded \$148,588 and received \$6,875 under a current year RTT-ELC grant.

The Rowan Partnership expects to continue receiving funding through DHHS for the RTT-ELC grant.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Rowan Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Rowan Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Rowan Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements.

NOTE 5 - 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 service activities associated State subsidy contract and administration (Division of Child Development and Early Education) [DCDEE]. Head Start wraparound/extended day, dual subsidy and dual subsidy administration, supplements for quality, Head Start classrooms and coordination, child care transportation, part-day care programs, preschool classes and coordination, and public pre-K subsidy.

Child Care and Education Quality - Used to account for service activities associated with child care resource and referral, professional development and supplements, and provider training.

Family Support - Used to account for service activities associated with teen parent/child programs, ongoing parenting education, and literacy or family literacy projects.

Health and Safety - Used to account for service activities associated with prenatal/newborn services, healthcare access and support, special needs – early intervention services/special education, and nutrition programs.

NC Pre-K - Used to account for development and implementation of NC Pre-K prekindergarten program for four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

B. Support Functions

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, and daily practices of service delivery. Also, costs associated with monitoring 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.

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Other Costs - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were indirectly allocated based utilization data.

NOTE 6 - OPERATING LEASE

A. Operating Lease Obligations - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2014:

| Fiscal Year | C | perating Leases |
|------------------------------|----|--------------------|
| 2015 | \$ | 11,014 |
| 2016 | | 5,219 |
| 2017 | | 1,670 |
| Total Minimum Lease Payments | \$ | 17,903 |

Rental expense for all operating leases during the year was \$39,158.

Note 7 - Pension Plan

IRC Section 403(b) Plan - All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the Rowan Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Rowan Partnership contributed 6% of gross wages for the year ended June 30, 2014. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Rowan Partnership contributed \$22,916 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Rowan Partnership 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 Rowan Partnership manages these various risks of loss as follows:

| Type of Loss | Method Managed | <u>Risk of Loss</u> <u>Retained</u> |
|--|--------------------------------|--|
| Torts, errors and omissions, health and life | Purchased commercial insurance | None |
| Workers Compensation - employee injuries | 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 Rowan Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Compensated Absences - As a result of the Smart Start Rowan, Inc.'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 \$21,275. No funds or reservation of net assets has been made for this commitment

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 | | |
|---|--------|--------|--|
| Race To The Top- ABCD Expansion | \$ | 64 | |
| Dental Varnishes for Rowan County preschool children | | 2,923 | |
| Literacy initiative provides a book subscriptions through Dollywood foundation to pre-school children | | 19,097 | |
| Parents as Teachers Imagination Library | | 3,263 | |
| Circle of Parents | | 170 | |
| | \$ | 25,517 | |

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 |
|---|-----------|--------|
| Race to the Top - ABCD | \$ | 1,765 |
| Dental Varnishes for Rowan County | | 1,132 |
| preschool children | | |
| Literacy initiative provides a book | | 7,814 |
| subscriptions through Dollywood | | |
| foundation to pre-school children | | |
| Parents as Teachers Imagination Library | _ | 1,161 |
| | <u>\$</u> | 11,872 |

NOTE 11 - INCOME TAXES

The Rowan Partnership 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 Rowan Partnership does not believe there are any unrecognized tax benefits or costs as of June 30, 2014. Income tax returns from 2011 through 2014 are open to examination by the tax authorities.

NOTE 12 - SUBSEQUENT EVENTS

The Rowan Partnership has evaluated events and transactions that occurred between June 30, 2014 and February 26, 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.

This information is an integral part of the financial statements.

SUPPLEMENTARY SCHEDULES

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| Operation faither Advances Advances Advances Advances Explore Sector Signed Advances 513 5 < | | Smart Start Fund | | Other Funds |
|---|---|-------------------------------|--------------------|-------------|
| Anomage Children's Center and Manualy Center Community Center Center Community Center Community Center Ce | Organization Name | Amount Refund Advanced Due | Amount Advanced | Refund |
| Avantage centr S 75(6) S | | | | |
| Brights Pagnings 5/3 - | Advantage Children's Center | 79,686 | | ю |
| Contractions of the optimication of the optimi | Brighter Beginnings | 5,619 | | • |
| Cambrade of Contraction 41 1 Cambrade of Nation Place Contraction 41 1 Contractions of Nation Place 1 1 Contractions of Nation Place 1 1 1 Contractions of Nation Place 1 1 1 1 1 Contractions of Nation Place 1 | Central CDC | 210 - | | 1 |
| Community | Chamber of Commerce | - 41 - | | 1 |
| Connestone Child Day Gare - City Connestone Child Day Care - City Connestone Child Day Church ELC Gor's Lift Bassing Carlos Child Child Child Day Enderly Carlos Child Child Child Day Child Day Enderly Carlos Asalerry Carlos Child Child Child Day Enderly Carlos Child Child Child Child Day Child Child Day Child Day Child Day | Community Care of Southern Pledmont | | 12,938 | • |
| Connestance Chill Chy Care - East Connestance Chill Chy Care - East Connestance Chill Chy Care - North Exert Statis Care - North Exerct Statis Care - North Exerct | Cornerstone Child Day Care - City | - 13,077 - | | ' |
| Connersion Collid Day Care - Main, Connersion Collid Day Care - Main, Fers United Methods: Church ELC Fers Visition: Addem Josy Strept Methods: Church ELC Kannapolis Church Stannap Chen K Kannapolis Chen K Kannapol | | - 42,465 | 87,050 | ' |
| Constraints Child ay Gare - North 112.03 - First United Webrodist Church ELC 5.680 - First United Webrodist Church ELC 5.680 - Codes Child Baseling 3.700 - Codes Child Chied Chi | | - 42,449 | 82,800 | |
| First United Area 5.60 5.60 5.60 First United Areademy 5.60 5.60 5.60 First United Areademy 5.60 5.60 5.60 Colors Lille Blessings 3.85 5.00 First United Areademy 2.00 5.60 5.60 Colors Lille Blessing 3.85 3.85 5.00 First United Blessing 2.00 2.00 2.00 First United Blessing 3.00 2.00 2.00 First United Blessing 3.00 2.00 2.00 First United Blessing 3.00 2.00 2.00 First Vinne Away Frant United Blessing 3.00 2.00 2.00 Joyak First Mondge Areademy 3.00 3.00 3.00 2.00 Joyak First Mondge Areademy 3.00 3.00 3.00 3.00 Joyak First Mondge Areademy 3.00 3.00 3.00 3.00 Joyak First Mondge Areadem 3.00 3.00 3.00 3.00 < | Comerstone Child Day Care - North | - 10,203 | , | ' |
| First United Methodist Church CDC 5,660 - First United Methodist Church CDC 5,845 - Cortes United Methodist Church CDC 4,845 - Cortes Child Christian Assademy 210 - Carses Assatismy 210 - - Carses Assatismy 210 - - Halph 5 Future Leaders 3,855 - - Halph 5 Future Leaders 11,000 - - Halph 5 Future Leaders 3,570 - - Halph 5 Future Leaders 3,573 - 2,01 Halph 5 Future Leaders 3,580 - - JoyA-The Morning Home Care 3,560 - - JoyA-The Morning Home Care 3,560 - - JoyA Fine Home Care 3,560 - - JoyA Fine Home Care 3,355 - - JoyA Fine Home Care 3,356 - - JoyA Fine Home Care 11,000 - - JoyA Fine Home Care - - - JoyA Fine Home Care - - - JoyA Storp Stor | Ford's Child Care | 3,790 - | 1 | , |
| First United Medidais Church ELC of Statistin Academy Cales Church ELC of Statistin Academy Cales Church ELC of Statistin Academy Cales Church ELC (adden Chur | First United Methodist Church CDC | 6,680 - | 1 | • |
| Golder State Bassings 4,445 - Golder State Bassings 210 - Grace Academy 210 - Flagsy Day Child Development Center 10,000 - Harpy Day Child Development Center - 3,335 - Harpy Day Child Development Center - 3,570 - Harpy Day Child Development Center - 3,571 - JoyA-Tha Moning Home Care - - - - JoyA-Tha Moning Home Care - - - - - JoyA-Tha Moning Home Care - | First United Methodist Church ELC | 5,845 - | I | 1 |
| Content Andemy 3,865 - Cases Academy 210 - Halpy's Future Leaders 11,000 - Halpy's Future Leaders 11,000 - Halpy's Future Leaders 210 - Halpy's Future Leaders 210 - Halpy's Future Away PSC mit forms 210 - Joy's Textendoring Home Care 270 - - Joy's Textendoring Home Care 7,500 - - Joy's Textendoring Home Care 3355 - - Laterning Center - - - - Laterning Center - - - - - Namy VE Device - - - - - Namy VE Device - - - - - - Namy VE Device - - - - - - - Namy VE Device - - - - - - - - < | God's Little Blessings | 4,845 - | • | • |
| Caracitary 210 - Halvy Structure Laders 11,000 - Halvy Structure Laders 11,000 - Halvy Structure Laders - - 210 - Halvy Structure Laders - - - 210 - Joy Au The Moning Home Care - - - 210 - Joy Au The Moning Home Care - - - - 210 - Joy Au The Moning Home Care - | Golden Child Christian Academy | 3,885 | I | |
| Haley's Future Leader 11,080 11,080 Haley's Future Leader 11,080 11,080 Home Away From Home 11,080 17,530 210 Home Away From Home 1,09,51 Enderforming Home Child Care 2,10 210 Home Away From Home 1,09,51 Enderforming Home Child Care 3,335 2,10 2,10 Address Participation LAS Learning Care 2,10 2,10 2,10 2,10 LAS Learning Care LAS Learning Care 2,10 2,10 2,10 2,10 2,10 LAS Learning Care LAS Learning Care 2,10 2,10 2,10 2,10 2,10 LAS Learning Care Namy V Step Lastring Care 2,10 2,10 2,10 2,10 Namy V Step Namy V Step Namy V Step 2,10 2,10 2,10 2,10 Namy V Step Namy V Step Namy V Step 2,10 2,10 2,10 2,10 Namy V Step Namy V Step Namy V Step 2,10 2,10 2,10 2,10 Namy V Step Namy V Step Namy V Step 2,10 2,10 <t< td=""><td>Grace Academy</td><td>- 210 -</td><td></td><td>,</td></t<> | Grace Academy | - 210 - | | , |
| Happy Day (Club Coverimment Center 11,000 - Hampy Day Term Huma 3,570 - Joy-N-The Morning Home Child Care 3,570 - Joy Mark Freedom - 5,511 - Joy Mark Shydor - 2,10 - Joy Mark Shydor - 3,335 - 1,36 Just Hild Chiefan School - - 1,333 - 1,36 Just Hydor Preschout # North Hills Chiefan School - 1,36 - 1,36 Namth Hills Chiefan School - 1,36 - 1,36 - 1,36 Namth Hills Chiefan School - - 1,30 - 1,36 - 1,36 Namth Hills Chiefan School - - 1,30 - 1,36 - - - - - - - - | Haley's Future Leaders | - 210 - | • | |
| Jow Munity From Home 2010 - Jow Munity Amone Child Care 3,570 - Joy Si Teridethoving Home Child Care 3,570 - Joy Si Teridethoving Home Child Care 3,355 - 7,530 Joy Si Teridethoving Home Child Care 3,355 - 7,31 Joy Si Teridethoving Home Child Care 3,355 - 7,31 Joy Si Teridethoving Home Child Care 3,355 - 7,31 Joy Si Teridethoving Home Child Care 3,355 - 7,31 Lites Androso Step Joy Step 564 - 7,31 Namy's Dayoff Preschool #1 Noah's Playoff Preschool #1 100 - 136,53 Namy's Dayoff Preschool #1 Noah's Playoff Preschool #1 100 - 136,53 - Namy's Dayoff Preschool #1 Noah's Playoff Preschool #1 100 - 136,53 - 136,53 - 136,53 Namy's Dayoff Preschool #1 Noah's Playoff Preschool #1 Noah's Playoff Preschool #1 - 136,53 - 136,53 - 136,53 - 136,53 - 136,53 - 136,53 | Happy Day Child Development Center | - 11,080 | 1 | • |
| Joys-V:The Moning Home Child Care 3,570 - Joys' Friedenbring Home Care 7,530 - A Karmapolis Chy Schools 5,571 - A Karmapolis Chy Schools 5,573 - A Karmapolis Chy Schools 3,335 - 73, A Karmapolis Chy Schools 3,335 - 73, A Karmapolis Chy Schools 3,335 - 73, Learning Step by Step 1,451 2,10 - 73, Last Learning Step by Step 8,541 - 2,10 - 73, Namn's Step by Step 8,541 - 2,10 - 2,10 - Namn's Hauth Deartain Namn's Hauth Deartain - 2,10 - 3,960 - 3,960 - - 3,960 - - 3,960 - <td>Home Away From Home</td> <td>- 210 -</td> <td>1</td> <td>•</td> | Home Away From Home | - 210 - | 1 | • |
| Joys Terdencying Home Care 7,530 - 218, Armapolis City Schools - - 218, Last Learning Center 3,335 - 73, Last Learning Center 2,10 - - Last Learning Center 3,335 - - 73, Last Learning Center 2,10 - - - 146 Last Learning Center 2,10 - - - 146 Last Learning Center 2,10 - - - 146 Namy's Dayroth Preschool #1 Nonth's Republy Care - - 146 - - - 136 Namy's Dayroth Preschool #1 Nonth's Republic Care Nonth's Republic Care - - 136 - < | Joy-N-The Morning Home Child Care | * 3,570 - | 1 | |
| Kamapolis City Schools Katima polis City Schools Namy's Bayara Namy's Bayara Namy's Bayara Namy's Bayara North Hils City School #1 North Hils City City City City School #1 North Hils City School #1 North Has City City City City City City City City | Joy's Tenderloving Home Care | 7,630 - | | ' |
| - Kiddle Land Kindergarten - Kiddle Land Kindergarten - Siddle Land Kindergarten - Land Earling Steip visitep - Lintie Angels - Nowin's Playioff Preschool #1 - Nowin's Playioff Preschool #1 - Nowin's Playioff Preschool #1 - Nowin Michael Carld Day Care - Rowan Machael Carld Day Care - Kanan Schild Day Care - South Rowan Academy - Sou | | | 218,500 | ' |
| LAS Learning Canter 3.335 - Learning Step by Step 510 - Litter Angels 510 - Namy's Daycare 511 - Namy's Daycare 511 - Namy's Daycare 511 - Namy's Daycare 511 - Namy's Daycare 513 - Noath Stayloft Preschool #1 Noath Stayloft Preschool #1 - Noath Stayloft Preschool #1 Noath Stayloft Preschool #1 - Noath Stayloft Preschool #1 Noath Stayloft Preschool #1 - Noath Stayloft Preschool #1 - - - Rowan Community Action Agency - - - - Salisbury Rowan Community Action Agency - - - - - Salisbury Rowan Community Action Agency - - - - - - - - - - <td></td> <td>96,783 -</td> <td>73,776</td> <td>•</td> | | 96,783 - | 73,776 | • |
| Learning Step by Step 210 - Little Angels 210 - Namy's Payroth 210 - Namy's Payroth 210 - Namy's Payroth 210 - Noah's Art Day Care 0,016 - Noah's Payroth 199,335 - 136, Noah's Payroth 210 - - Noah's Payroth 210 - - Noah's Payroth 210 - 136, Noah's Payroth 210 - 146, Rowan Schiclury Vield Day Care - 1,498 - Rowan Schiclury Schools - - 1,498 - Salisbury CC & Fina Arris - - 1,498 - - Salisbury CC & Fina Arris - - - - - - Salisbury CC & Fina Arris - - - - | LAS Learning Center | 3,335 - | ı | • |
| Little Angels 504 - Namys Daycare 8,541 - Namys Daycare 8,541 - Namys Daycare 8,541 - Namys Daycare 8,541 - Noah's Payloth Preschool #1 North Hills Christian School 33,870 - North Hills Christian School 210 - 136, North Hills Christian School 189,335 - 136, North Hills Christian School 33,870 - 136, North Hills Christian School 189,335 - 136, North Hills Christian School - 200, - 504, North Hills Christian School - 126,335 - 136, - Rowan Schibury Schools - 126,335 - 504, - Rowan Medical Chrid Day Care - 7,369 - 736, - Sandra's Playhouse - 7,368 - 73, - Sandra's Playhouse - 7,368 - | Learning Step by Step | - 210 - | ł | • |
| 210 210 210 210 Noah's Ark Day Care 33,870 210 204 Rowan Medical Cub Vealth Rowan Medical Cub Vealth 136,130 204,136 Rowan Salisbury Schools Rowan Medical Cub Viath 15,130 204,364 Rowan Salisbury Schools Salisbury Ca & Fina Arts 2,130 2,10 Salisbury Ca & Fina Arts 8,523 1,498 7,393 Salisbury Rowan Academy 8,038 2,354 5,33 Salisbury Rowan Academy 8,038 2,10 2,10 Salisbury Rowan Academy 8,038 7,348 7,348 Salisbury Constant Rowan Academy 8,038 2,10 2,10 Sandra's Playhouse 2,10 2,10 2,10 2,10 Sandra's Playhouse 2,10 1,498 | Little Angels | 504 - | , | ' |
| Noah's Ark Day Care 3,541 - Noah's Playtoft Preschool #1 3,670 - Noah's Playtoft Preschool #1 189,335 - Noah's Playtoft Preschool #1 189,335 - Noah's Playtoft Preschool #1 189,335 - Noah's Playtoft Preschool #1 Noah's Playtoft Preschool #1 3,67 - Noah Medical Child Day Care 189,335 - 136, Rowan County Health Department - 15,130 - 136, - Rowan Medical Child Day Care - 15,130 - 504, - Rowan Medical Child Day Care - 15,130 - 504, - Rowan Medical Child Day Care - 15,130 - 504, - Rowan Country House - - 7,399 - 504, - Salisbury Rowan Community Action Agency - - 7,395 - 73 - Salisbury Rowan Community Action Agency - - - 73 - 73 - Salisbury Rowan Community Action Agency - - - 73 - 73 - Salisbu | Namny's Daycare | - 210 - | , | ' |
| Noah's PlayIoft Preschool #1 33.870 - North Hills Christian School 210 - North Hills Christian School 186.335 - North Hills Christian School - 136. Partners In Learning Child Day Care - 15.130 - Rowan Medical Child Day Care - 15.130 - 136. Rowan Medical Child Day Care - 80.999 - 504. Rowan-Salisbury Schools - 80.999 - 504. Salisbury Ct & Fina Arts - 7,893 - 65. Salisbury Rowan Community Action Agency - 7,993 - 504. Salisbury Rowan Academy - 7,893 - 7,39 - 504. Salisbury Ct & Fina Arts - 7,393 - 7,39 - 7,36 Salisbury Ct & Fina Arts - 7,393 - 7,36 - 7,36 Salisbury Ct & Fina Arts - - 1,498 - 7,36 - 7,36 Salisbury Ct arte - - - - | Noah's Ark Day Care | 6,541 - | 1 | ' |
| North Hills Christian School North Hills Christian School 136, Seven County Health Department 15,130 136, Rowan Medical The Bay Care 15,130 504, Rowan Salisbury Schools 80,999 504, Rowan Salisbury Schools 80,999 504, Salisbury CC & Fina Arts 7,899 65, Salisbury CC & Fina Arts 8,523 56, Salisbury Schools 80,887 58 Salisbury CC & Fina Arts 4,9548 73, Salisbury CC & Fina Arts 1,498 73, St Johns Child Day Care 73, 80,887 58, Tiny Tots In Home CC 210 210 10, Wonder Years 1590 73, 210 10, Tiny Tots In Home CC 210 210 10, 10, Wonder Years 11,000 210 10, 11, Child Care Conference Awards 7,942 11, | Noah's Playloft Preschool #1 | - 39,870 | , | ' |
| > Partners In Learning Child Day Care 189,335 136, Rowan County Health Department 125,339 130, Rowan County Health Department 125,339 50, Rowan Medical Child Day Care 130, 130, Rowan Medical Child Day Care 13,300 50, Rowan Medical Child Day Care 8,523 50, Rowan Salisbury Rowan Community Action Agency 8,523 50, Salisbury Rowan Community Action Agency 8,533 50, Salisbury Rowan Community Action Agency 8,533 50, Salisbury Rowan Community Action Agency 8,533 50, Sandra's Playhouse 1,488 7,348 7,3 South Rowan Academy 1,590 1,1 210 1,1 Wonder Years 1,590 1,590 1,1 1,1 Child Care Conference Awards 7,942 1,1 | North Hills Christian School | - 210 - | 1 | • |
| Rowan County Health Department * 125,359 - - Rowan Medical Child Day Care 15,130 - - Rowan-Salisbury Schools 8,523 - - Rowan-Salisbury Schools 8,523 - - Rowan-Salisbury Schools 8,523 - - Salisbury Schools 8,523 - - Salisbury Rowan Community Action Agency - 7,899 - Salisbury Rowan Community Action Agency - 8,533 - - South Rowan Academy - 1,488 - 73 - South Rowan Academy - 80,387 - 58 - South Rowan Academy - 81,498 - 73 - St. Johns Child Day Care - 210 - 210 - Tiny Tots In Home CC Ving Tots In Home CC - 210 - - Wonder Years - - 210 - - - - Child Care Conference Awards - - - - - - - - - - - - - - - - - - | | - 189,335 | 136,825 | • |
| - Rowan Medical Child Day Care 15,130 - - Rowan-Salisbury Schools 8,523 - 504, 3523 - Rowan-Salisbury Schools 8,523 - 504, 3523 - Salisbury Care Fina Arts 8,523 - 504, 3523 - Salisbury Rowan-Salisbury Schools - 7,399 - 504, 3523 - Salisbury Rowan Community Action Agency - 7,399 - 73, 323 - 504, 3548 - 504, 3548 - 504, 3548 - 504, 3548 - 513, 3149 - 513, 3149 - 513, 3149 - 514, 313 - 514, 313 - 514, 313 - 513, 314 - 513, 314 - 514, 313 - 514, 313 - 514 - 516 - - 516 - - 516 - - 1,366 - - 1,366 - - 1,366 - - 1,366 - - 1,366 - - 1,366 - - 1,366 - - 1,366 - - 1,366 -< | Rowan County Health Department | * 125,359 - | | • |
| - Rowan-Salisbury Schools - Rowan-Salisbury Schools - 504, 523 - 504, 523 - 504, 523 - 504, 523 - 504, 523 - 504, 523 - 504, 523 - 504, 523 - 504, 523 - 51, 524 - 51, 524 - 51, 526 - 51, 526 - 51, 526 - 51, 526 - 51, 526< | | * 15,130 - | 320 | |
| Salisbury CC & Fina Arts Salisbury CC & Fina Arts Salisbury Rowan Community Action Agency Sandra's Playhouse Sandra's Playhouse A 9,548 - 73 S 1, Johns Child Day Carte Tiny Toths In Home CC Wee Center Wonder Years Child Care Conference Awards Child Care Conference Careference Carefe | | - 666'08 * | 504,490 | |
| Salisbury Rowan Community Action Agency Sandra's Playhouse Sandra's Playhouse Sandra's Playhouse South Rowan Academy Sou | Salisbury CC & Fina Arts | 8,523 | | ſ |
| Sandra's Playhouse 1,488 - 73 - South Rowan Academy - 89,548 - 73 - South Rowan Academy - 89,548 - 58 - 53 - St. Johns Child Day Care 210 - 210 - 58 - 58 - Trip Tota In 210 - 210 - 210 - - 1.366 Wonder Years - 210 - 210 - - 1.366 Child Care Conference Awards - 1.590 - - 1.366 - - 1.366 Child Care Conference Awards - 1.590 - - 1.366 - - 1.366 - - 1.366 - - 1.366 - - 1.366 - - 1.366 - - 1.366 - - 1.366 - - 1.366 - - 1.366 - - 1.366 - - 1.366 - - 1.366 - - 1.166 | | - 1,899 | 65,125 | • |
| ★ South Rowan Academy ★ South Rowan Academy ★ St. Johns Child Day Care Tiny Tots In Home CC Tiny Tots In Home CC 210 2 | Sandra's Playhouse | - 1,498 | , | • |
| St. Johns Child Day Care St. Johns Child Day Care Tiny Tots In Home CC Z10 Z | | | | • |
| Tiny Tots In Home CC 210 - 210 - 210 - 210 - 210 - 210 - 210 - 210 - 210 - 210 - 210 - 210 - 210 - 210 - 1156 - 210 - 1156 - 210 - 1156 - 210 - 1156 - 210 - 1156 - 2100 - 210 - 210 - 2100 - 210 - 2100 - 210 - 2100 - 210 - | | | | • |
| Wee Center 210 - Wonder Years 210 - Wonder Years - - Uteracy Initiative Participants - - Group Connections Participants - - | Tiny Tots In Home CC | | , | |
| Wonder Years 210 - 1,366 Group Conference Awards 1,590 - 1,366 (11) 1,590 - 1,366 (11) 1,590 - 1,366 (11) 1,590 - 1,590 (11) 1,590 - 1,590 (12) 1,590 - 1,590 (12) 1,590 - 1,590 (12) 1,590 - 1,590 (12) 1,590 - 1,590 (12) 1,590 - 1,690 (12) 1,590 - 1,790 (12) 1,590 - 1,790 (12) 1,590 - 1,790 (12) 1,590 - 1,790 (12) 1,590 - 1,790 (12) 1,590 - 1,790 (12) 1,790 - 1,990 (12) 1,990 - 1,990 < | Wee Center | | 1 | |
| 949,176 - 1366 Child Care Conference Awards Literacy Initiative Participants Group Connections Participants | Wonder Years | | | |
| 1,590 - 1,590 - 1,590 - 7,942 - 11. Literacy Initiative Participants Group Connections Participants - 11. | | 949,176 | 1,366.724 | |
| 7,942 - 11, 7,942 - 11, 680 - 11 | viduals: | | | |
| | Child Care Conference Awards | | 7 | |
| | Literacy Initiative Participants | | | • |
| | Group Connections Participants | בבכ |))) | |

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* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.

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Schedule 2

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| Organization Name | DHHS Contracts |
|--|-------------------|
| Child Care Services Association-WAGE\$ Program | \$ 235,529 |
| | \$ 235,529 |

This 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 3 - Funding from Grant Awards.

Smart Start Rowan

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[•] hedule of Federal and State Awards - Modified Cash Basis

r the Year Ended June 30, 2014

Schedule 3

| Federal/State Grantor/Pass-through Grantor/Program | Federal CFDA Number | Contract # | Receipts | E; | xpenditures |
|--|---------------------------|--------------------------------|-----------------------|----|--------------------|
| Federal Awards: | | | | | |
| North Carolina Department of Health and Human Services Pass-through from the North Carolina Partnership for Children, Inc. RTT-ELC Grant (PriorYear) RTT-ELC Grant (Current Year) | 84.412 84.412 | 320:12-13-018 320:13/14-021 | \$ 10,000 6,875 | \$ | 11,701 15,009 |
| United States Department of Health and Human Services Passed-through from the North Carolina Department of Health and Human Services - Division of Child Development and Early Education Passed-through from Child Care Resource Inc. (current year) | 93.575 | FY13/14 26859 RI7 | 14,416 | | 14,416 |
| Total Federal Awards | | | 31,291 | | 41,126 |
| 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)* | | NA | 1,708,586 | | 1,7 08,5 86 |
| (,,th Carolina Department of Health and Human Services Division of Child Development and Early Education NC Pre-K (Current Year) | * | 29078 | 1,360,734 | | 1,409,960 |
| Total State Awards | | | 3,069,320 | | 3,118,546 |
| Total Federal and State Awards | | | \$ 3,100,611 | \$ | 3,159,672 |

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

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| Furniture and Noncomputer Equipment Computer Equipment/Printers | \$ 12,235 29,399 |
|--|------------------------|
| Total Property and Equipment | 41,634 |

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.

Smart Start Rowan, Inc. Schedule of Qualifying Match (Non-GAAP) For the Year Ended June 30, 2014

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| the Year Ended June 30, 2014 | , | Schedule 5 |
|--|----|-------------------|
| Match Provided at the Partnership Level: | | |
| Cash In-Kind Goods and Services | \$ | 96,972 10,966 |
| | \$ | 107,938 |
| Match Provided at the Contractor Level: | | |
| Cash In-Kind Goods and Services | \$ | 81,448 185,429 |
| | | |

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.

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266,877

Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



America Counts on CPAs

James P. Winston II, CPA Gary L. Williams, CPA Carleen P. Evans, CPA

Jennifer T. Reese, CPA Curtis G. Van Horne, CPA Cathy E. McKinley, CPA Tarn H. Roberson, CPA K. Jamison Crampton, CPA

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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 Members of Smart Start Rowan, Inc. Salisbury, North 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 Smart Start Rowan, Inc. (a nonprofit organization), which comprise the statement of receipts, expenditures, and net assets – modified cash basis as of June 30, 2014, and the related statement of functional expenditures – modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Smart Start Rowan, Inc.'s internal control over financial reporting 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 Smart Start Rowan, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Smart Start Rowan, 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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

102 W. Spring Street • P.O. Box 1366 • Oxford, NC 27565 • (919) 693-5196 • fax (919) 693-7614 www.wwceepa.com

Governmental Audit Quality Center ALCOA

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Smart Start Rowan, Inc.'s financial statements are free from 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Winston, Williams, Creech, Evans & Company, LLP

Oxford, North Carolina February 26, 2015