

FINANCIAL STATEMENT AUDIT REPORT OF  
ROCKINGHAM COUNTY PARTNERSHIP  
FOR CHILDREN, INC.  
REIDSVILLE, NORTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2014

BOARD OF DIRECTORS  
MARK WELLS, BOARD CHAIR

ADMINISTRATIVE OFFICER  
HEATHER ADAMS, EXECUTIVE DIRECTOR

Rockingham County Partnership for Children

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Independent Auditor's Report

To Board Members of  
Rockingham County Partnership for Children, Inc.  
Reidsville, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of Rockingham County 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 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 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 Statement of Receipts, Expenditures and Net Assets of Rockingham County Partnership for Children, Inc., as of and for the year ended June 30, 2014, and the Statement of Functional Expenditures 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.

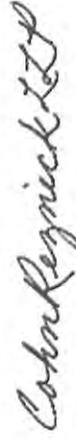
*Report on Supplementary Information*

Schedule 2 on page 24 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 Rockingham County Partnership for Children, 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 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 28, 2015, on our consideration of Rockingham County Partnership for Children, 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 of an audit performed in accordance with *Government Auditing Standards* in considering Rockingham County Partnership for Children, Inc.'s internal control over financial reporting and compliance.



Charlotte, North Carolina  
February 28, 2015

**Rockingham County Partnership for Children, Inc.**  
**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis**  
**For the Year Ended June 30, 2014**

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Permanently Restricted Funds	Total Funds
	Smart Start Fund	Other Funds			
Receipts:					
State Awards and Contracts	\$ 643,646	\$ 1,242,002	\$ -	\$ -	\$ 1,885,648
Federal Awards	-	180,382	-	-	180,382
Private Contributions	-	41,278	205,807	1,000	248,085
Interest and Investment Earnings	-	-	2,756	-	2,756
Sales Tax Refunds	-	3,530	-	-	3,530
Other Receipts	-	21,912	-	-	21,912
<b>Total Receipts</b>	<b>643,646</b>	<b>1,489,104</b>	<b>208,563</b>	<b>1,000</b>	<b>2,342,313</b>
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	-	27,072	(27,072)	-	-
	<b>643,646</b>	<b>1,516,176</b>	<b>181,491</b>	<b>1,000</b>	<b>2,342,313</b>
Expenditures:					
Programs:					
Child Care and Education Quality	157,151	23,993	-	-	181,144
Family Support	249,155	413,662	-	-	662,817
Health and Safety	23,312	3,860	-	-	27,172
NC Pre-K	63,700	1,087,999	-	-	1,151,699
Support:					
Fund Raising	-	1,426	-	-	1,426
Management and General	100,702	6,679	-	-	107,381
Program Coordination and Evaluation	49,626	5,560	-	-	55,186
Other:					
Refund of Prior Year Grant	-	287	-	-	287
Sales Tax Paid	-	8,209	-	-	8,209
<b>Total Expenditures</b>	<b>643,646</b>	<b>1,551,675</b>	<b>-</b>	<b>-</b>	<b>2,195,321</b>
Excess (Deficiency) of Receipts Over Expenditures	-	(35,499)	181,491	1,000	146,992
Net Assets at Beginning of Year	-	19,126	49,500	72,195	140,821
<b>Net Assets at End of Year</b>	<b>\$ -</b>	<b>\$ (16,373)</b>	<b>\$ 230,991</b>	<b>\$ 73,195</b>	<b>\$ 287,813</b>
Net Assets Consisted of:					
Cash and Cash Equivalents	\$ -	\$ (12,939)	\$ 220,853	\$ -	\$ 207,914
Investments	-	-	10,138	73,195	83,333
	-	(12,939)	230,991	73,195	291,247
Less: Funds Held for Others	-	3,434	-	-	3,434
	\$ -	\$ (16,373)	\$ 230,991	\$ 73,195	\$ 287,813

The Accompanying Notes are an Integral Part of the Financial Statements.

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants
<b>Smart Start Fund:</b>								
Programs:								
Child Care and Education Quality	\$ 157,151	\$ 98,235	\$ 1,395	\$ 5,431	\$ 26,007	\$ 1,660	\$ 2,638	\$ 21,785
Family Support	249,155	182,270	285	3,834	28,863	12,680	11,949	9,274
Health and Safety	23,312	-	-	-	152	-	-	23,160
NC Pre-K	63,700	16,828	683	-	-	-	1,110	45,079
Support:	493,318	297,333	2,363	9,265	55,022	14,340	15,697	99,298
Management and General	100,702	53,249	3,210	4,707	24,636	8,889	6,011	-
Program Coordination and Evaluation	49,626	30,239	16,999	297	1,481	-	610	-
Total Smart Start Fund Expenditures	\$ 643,646	\$ 380,821	\$ 22,572	\$ 14,269	\$ 81,139	\$ 23,229	\$ 22,318	\$ 99,298
<b>Other Funds:</b>								
Programs:								
Child Care and Education Quality	\$ 23,933	\$ 13,000	\$ -	\$ 1,277	\$ 2,983	\$ 719	\$ 2,433	\$ 3,581
Family Support	413,662	123,572	6,588	49,420	48,549	52,240	22,897	110,396
Health and Safety	3,860	-	-	2,000	-	-	-	1,860
NC Pre-K	1,087,999	39,153	-	1,030	6,656	253	1,472	1,040,436
Support:	1,529,514	175,725	6,588	53,727	57,187	53,212	26,802	1,156,273
Fund Raising	1,426	-	-	1,426	-	-	-	-
Management and General	6,679	5,660	370	1,190	3,706	1,413	-	-
Program Coordination and Evaluation	5,660	5,660	-	-	-	-	-	-
Other:	13,665	5,660	370	2,616	3,706	1,413	-	-
Refund of Prior Year Grant	287	-	-	287	-	-	-	-
Sales Tax Paid	8,209	-	-	8,209	287	-	-	-
Total Other Funds Expenditures	\$ 1,551,675	\$ 181,285	\$ 6,958	\$ 64,552	\$ 61,180	\$ 54,625	\$ 26,802	\$ 1,156,273

The Accompanying Notes are an Integral Part of the Financial Statements.

**ROCKINGHAM COUNTY PARTNERSHIP FOR CHILDREN, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Rockingham County Partnership for Children (Rockingham County Partnership) is a legally separate nonprofit organization incorporated on September 14, 1995. The Rockingham County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Rockingham County 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 Rockingham County Partnership's Board of Directors is responsible. Pursuant to the provisions of the Financial Accounting Standards Board's accounting standard 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 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 Rockingham County Partnership.

**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 certificates of deposit and other short-term investments with an original maturity of three months or less.

**E. Investments** - This classification includes mutual funds, money market funds, and shares of stock. Under the modified cash basis of accounting, investments in marketable securities are reported at cost, which may differ significantly from their fair values.

**F. Funds Held For Others** - Funds Held for Others include amounts received that are fiduciary in nature in which the Rockingham County Partnership acts in an agency capacity. For the year ended June 30, 2014, the Rockingham County Partnership was holding \$3,434 for the Safe Kids Coalition in which the Rockingham County Partnership is acting in a third-party capacity.

**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, Rockingham County Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Rockingham County 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.

**H. 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.

**I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Rockingham County 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.

**J. Qualifying Match and Contributions In-Kind** - The Rockingham County 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 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. The Rockingham County Partnership also benefits from donor volunteer hours which do not require specific expertise but which are nonetheless central to the Rockingham County Partnership's operations. See supplemental Schedule 5 for more information on contributions in-kind.

**NOTE 2 - DEPOSITS**

All cash funds of the Rockingham County Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Deposits over insured amounts subject the Rockingham County Partnership to a concentration of credit risk. At June 30, 2014, the Rockingham County Partnership did not have any bank deposits not insured by FDIC.

**NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS**

**Smart Start Program Grant** - A major source of revenue and support for the Rockingham County Partnership 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 Rockingham County Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Rockingham County 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 Rockingham County Partnership. 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.

The Rockingham County Partnership was awarded and has received \$644,477 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Rockingham County Partnership has expended all awarded funds and therefore has returned none of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2014. The Rockingham County Partnership did refund \$831 of a prior year grant to the State during the year ended June 30, 2014.

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

**NC Pre-K** - The Rockingham County Partnership also received revenue and support from the State of North Carolina for the NC Pre-K program. The Rockingham County Partnership was awarded \$1,083,983 and received \$1,083,983 under a current year financial assistance contract.

The Rockingham County Partnership expects to receive continued funding through new NC Pre-K contracts with the State.

**CCR&R Regional Block Grant** - The Rockingham County Partnership received revenue and support from the Division of Child Development based on a cost-reimbursement contract with the Guilford Child Development for the support of the Child Care Resource & Referral program. The Rockingham County Partnership was awarded and received \$16,202 under a current-year CCR&R Regional Block Grant contract with Guilford Child Development. The unexpended balance of this contract is subject to reversion to the government. The Rockingham County Partnership expects to receive continued funding through new CCR&R Regional Block Grant contracts with the Guilford Child Development.

**Young Moms Connect Grant** - The Rockingham County Partnership received revenue and support from the North Carolina Department of Health and Human Services based on cost-reimbursement contracts. The funds are used to offer support to women ages 13-24 who are pregnant and or parenting with self sufficiency, health management and parenting skills.

The Rockingham County Partnership for Children was awarded \$231,077 for the contract period of February 1, 2013 to August 31, 2013 and received \$76,290 in revenue during the year ended June 30, 2014.

**Young Families Connect Grant** - The Rockingham County Partnership received revenue and support from DHHS based on a cost-reimbursement contract. The Partnership has been awarded a three-year contract to offer support for expectant and parenting women and men age 13-24 years old in maintaining their health by promoting positive health behaviors and increased access to care; improving their parenting skills through educational and support activities; and promoting self-sufficiency through participation in opportunities that promote continued education and employment.

The Rockingham County Partnership for Children was awarded \$109,995 for the contract period of February 1, 2014 to July 31, 2014 and received \$33,970 for the year ended June 30, 2014. The remaining revenue will be received in subsequent fiscal years.

**Parents as Teachers and Safe Care at Home Grant (PATSCH)** - The Rockingham County Partnership received revenue and support from the Georgia State University based on a contract from January 1, 2014 to December 31, 2014. The Rockingham County Partnership was awarded \$5,250 and received \$5,000 under this contract to evaluate the effectiveness of braiding the Parents as Teachers and SafeCare Curriculums together with the aim of improving evidence-based practices and reducing instances of child mistreatment.

**Nurse Family Partnership Grant (DHHS) -** The Rockingham County Partnership received revenue and support from the North Carolina Department of Health and Human Services based on a cost-reimbursement contract. The Partnership has been awarded a three-year contract to improve the health and life-course of first-time, low-income mothers and their children. The Nurse Home Visitors help improve pregnancy outcomes by helping women engage in preventive health practices including obtaining prenatal care, improving diet and nutrition, and reducing the use of tobacco, alcohol and other substances; improve child health and development by helping parents provide responsible, competent and nurturing care; and improve economic self-sufficiency of the family by helping the parents develop a vision for their own future, including planning future pregnancies, continued education and employment.

The Rockingham County Partnership for Children was awarded \$164,635 for the contract period of January 1, 2014 to May 31, 2014 and received \$158,019 during the year ended June 30, 2014. The Rockingham County Partnership was awarded \$244,688 for the contract period of June 1, 2014 to May 31, 2015 and did not receive any funds during the year ended June 30, 2014. The remaining revenue will be received in subsequent fiscal years.

**Nurse Family Partnership Grant (Kate B. Reynolds Charitable Trust) -** The Rockingham County Partnership received revenue and support from the Kate B. Reynolds Charitable Trust. The Partnership has been awarded a multiple-year grant to improve the health and life-course of first-time, low-income mothers and their children. The Nurse Home Visitors help improve pregnancy outcomes by helping women engage in preventive health practices including obtaining prenatal care, improving diet and nutrition, and reducing the use of tobacco, alcohol and other substances; improve child health and development by helping parents provide responsible, competent and nurturing care; and improve economic self-sufficiency of the family by helping the parents develop a vision for their own future, including planning future pregnancies, continued education and employment.

The Rockingham County Partnership for Children was awarded \$472,324 over a three year period and received \$172,087 during the year ended June 30, 2014. The remaining revenue will be received in subsequent fiscal years.

**Adolescent Pregnancy Prevention Grant** - The Rockingham County Partnership received revenue and support from the North Carolina Department of Health and Human Services based on a cost-reimbursement contract. The Partnership has been awarded a four-year contract to provide services to first-time teen parents who reside in Rockingham County, are 19 years of age or younger at time of enrollment, and are enrolled in school or an equivalent program.

The Rockingham County Partnership for Children was awarded \$55,000 for the contract period of October 1, 2013 to May 31, 2014 and received \$53,920 during the year ended June 30, 2014. The Rockingham County Partnership was awarded \$60,000 for the contract period of June 1, 2014 to May 31, 2015 and did not receive any funds during the year ended June 30, 2014. The remaining revenue will be received in subsequent fiscal years.

**Program Office Extender Grant** - The Rockingham County Partnership received revenue and support from the Kate B. Reynolds Charitable Trust. The Partnership has been awarded and received \$27,500 to provide ongoing support, technical assistance and increase interactions between community-based organizations, networks and key stakeholders working on efforts to improve health in Rockingham County.

**Dolly Parton's Imagination Library Grant** - The Rockingham County Partnership received revenue and support from Reidsville Area Foundation based on three-year contract to support the Dolly Parton's Imagination Library, which distributes books to children from birth to five years of age to promote literacy. The Rockingham County Partnership will be awarded a total of \$75,000 to be paid in three annual installments of \$25,000. The Rockingham County Partnership received \$25,000 in revenue during the year ended June 30, 2014. The Rockingham County Partnership expects to receive continued funding through new contracts with the Reidsville Area Foundation.

#### **NOTE 4 - RELATED PARTY TRANSACTIONS**

**Service Provider Contracts with Board Member Organizations** - The board members of the Rockingham County Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Rockingham County Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Rockingham County Partnership 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 Rockingham County Partnership's Smart Start allocation.

**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 Quality** - Used to account for service activities associated with child care resource and referral, professional development and supplements, literacy, provider training, mentoring programs, learning materials and teaching aids.

**Family Support** - Used to account for service activities associated with teen parent/child programs, ongoing parenting education, general family support, family intervention, literacy projects, family literacy projects, home visiting, transportation services and community outreach information and resources.

**Health and Safety** - Used to account for service activities associated with oral health services, speech and hearing screenings, vision screenings, comprehensive screenings, comprehensive health services, prenatal/newborn services, health care access and support, special needs - early intervention services/special education, health needs and resources assessment, or 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**

**Fund Raising** - Expenditures that are incurred in 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, 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.

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

**NOTE 6 - LEASE OBLIGATIONS**

**Operating Lease** - The Rockingham County Partnership facilities lease is renewed annually. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2014:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2015	\$ 10,149
2016	10,331
2017	<u>4,684</u>
Total Minimum Lease Payments	<u>\$ 25,164</u>

Rental expense for all operating leases during the year was \$10,532.

**NOTE 7 - PENSION PLAN**

**Deferred Compensation and Supplemental Retirement Income Plan - IRC Section 401(k) Plan** - The Rockingham County Partnership has a Safe Harbor 401(k) plan. All costs of administering the Plan are the responsibility of the Partnership. The Rockingham County Partnership contributed up to 3% of gross wages for the year ended June 30, 2014. Employees may make voluntary contributions to the Plan. For the year ended June 30, 2014, the Rockingham County Partnership contributed \$9,930.

**NOTE 8 - RISK MANAGEMENT**

The Rockingham County 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 Rockingham County Partnership 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
Worker Compensation - employee injury	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 Rockingham County Partnership. 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 Rockingham County Partnership'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 \$24,826. No funds or reservation of net assets has been made for this commitment.

B. **Commitments on Contracts** - The Rockingham County Partnership had outstanding commitments of \$41,615 on a cost-reimbursement contract that had not been paid at June 30, 2014.

**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
Nurse Family Partnership Grant (Kate B. Reynolds Foundation)	\$ 168,701
Program Office Extender	23,505
Early Childhood Education Endowment Early Childhood Literacy	10,138
Nurse Family Partnership Planning	9,891
Dolly Parton's Imagination Library (Private Funds)	8,268
Parents as Teachers and Safe Care at Home (PATSCH)	7,750
NC Dental Health Endowment	2,405
Early Childhood Literacy	333
	<u>\$ 230,991</u>

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
Dolly Parton's Imagination Library (Reidsville Area Foundation)	\$ 11,362
Dolly Parton's Imagination Library (Private Funds)	6,499
Nurse Family Partnership Planning	2,718
NC Dental Health Endowment	2,595
Parents Matter	2,131
Nurse Family Partnership Grant (Kate B. Reynolds Foundation)	1,767
	<u>\$ 27,072</u>

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

Purpose	Amount
Early Childhood Education Endowment	\$ 73,195

**NOTE 11 - INCOME TAXES**

The Rockingham County 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 Rockingham County Partnership 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 to examination by the tax authorities.

**NOTE 12 - ENDOWMENT**

The Rockingham County Partnership for Early Childhood Education Fund (the Endowment) is devoted to supporting professional development of early childhood educators in Rockingham County and the work of Rockingham County Partnership. All contributions to the endowment are irrevocable. The Endowment will be governed by Trustees derived from members of the Rockingham County Partnership Board of Directors who are not conflicted with the designated purposes of the fund. The endowment was originally established by an agreement between the Rockingham County Partnership and an individual donor. The original agreement also allowed the Grantor to substitute another beneficiary in place of the Rockingham Partnership in event of the Organization ceasing to exist. Since that time the Endowment has received contributions from numerous donors, primarily through an annual fundraising event.

## **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, with earlier adoption permitted. 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 Rockingham County Partnership's management and investment of donor-restricted endowment funds was 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.

### **Basis of Endowment Accounting**

The Rockingham County Partnership's Board classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Under the modified cash basis of accounting, the Rockingham County Partnership 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 the Rockingham County Partnership and processed through its bank accounts are recorded as permanently restricted net assets.

### Spending Policy of Endowment Funds

Prior to June 30, 2010, the Trustees, operating under the terms of the original donor's agreement and the provision's of UMIFA, were permitted to make annual distributions of the income earned on the Endowment. For the year ended June 30, 2013, the Rockingham Partnership waived the receipt of its annual distribution, electing for those monies to be added to its existing Endowment balance. The terms of the original donor's agreement were amended through legal proceedings in the State of North Carolina to comply with the provisions of UPMIF A. The Trustees will subsequently be permitted to make annual distributions equal to an amount not greater than 5% of the average fair market value of the Endowment for the previous eight quarters.

The fair value of the endowment administered by the Rockingham County Partnership for Children at June 30, 2014 was \$111,458; however, under the modified cash basis of accounting, the original cost basis of contributions are reported on the Statement of Receipts, Expenditures, and Net Assets-Modified Cash Basis.

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Funds	\$ -	\$ 10,138	\$ 73,196	\$ 83,334

### NOTE 13 - SUBSEQUENT EVENTS

The Rockingham County Partnership has evaluated events and transactions that occurred between June 30, 2014 and February 28, 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.

SUPPLEMENTARY INFORMATION

Rockingham County Partnership for Children, Inc.  
 Schedule of Contract and Grant Expenditures - Modified Cash Basis  
 For the Year Ended June 30, 2014

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<b>Organizations:</b>				
Family Practice of Eden	75	-	3,440	-
Premier Pediatrics of Eden	5,000	-	5,926	-
Reidsville Family Medicine	1,000	-	-	-
Rockingham County Department of Health & Human Services	23,685	-	15,235	-
Rockingham Pregnancy Care Center	-	-	10,166	-
Rockingham County Student Health Centers	-	-	5,919	-
Trad Adult and Pediatric Medicine	985	-	-	-
Trad Medicine & Pediatric Associates	1,275	-	-	-
Western Rockingham Family Medicine	125	-	-	-
Lil' Daydreamers Child Development Center	7,920	-	52,800	-
Little Angels Child Development Center	7,920	-	52,800	-
Little Hands Child Development Center	7,200	-	117,000	-
Little Kings & Queens Daycare	7,200	-	117,000	-
Reidsville High School Early Childhood Center	4,720	-	76,700	-
Rockingham County Head Start	-	-	60,000	-
Rockingham County Schools	-	-	400,395	-
Western Rockingham Early Childhood Center	10,120	-	164,450	-
<b>Individuals:</b>	77,225	-	1,081,831	-
Books and Materials for Distribution	900	-	68,245	-
Dental Services	-	-	595	-
Contracted Transcriptionist	-	-	63	-
Education Incentives	20,553	-	-	-
Participant Cost	140	-	-	-
Participant Training	480	-	596	-
Professional Development Expenditures	-	-	4,943	-
	22,073	-	74,442	-
	99,298	-	1,156,273	-

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

**Rockingham County Partnership for Children, Inc.**  
**Schedule of State Level Service Provider Contracts**  
**For the Year Ended June 30, 2014**

**Schedule 2**

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$ Program	\$ 107,612
* Rockingham County Department of Social Services	537,834
	\$ 645,446

\* This organization is represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organization.

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 3 - Funding from Grant Awards and Contracts.

Rockingham County Partnership for Children, Inc.  
 Schedule of Federal and State Awards - Modified Cash Basis  
 For the Year Ended June 30, 2014

Federal and State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract Number	Receipts	Expenditures
<b>Federal Awards:</b>				
United States Department of Health and Human Services Pass through from the North Carolina Department of Health and Human Services, Division of Child Development	93,994	00029793	\$ 53,920	\$ 53,920
Adolescent Pregnancy Prevention Grant (October 1, 2013 - May 31, 2014)	93,994	00030268	-	2,799
Pass-through from Guilford Child Development Child Care and Development Block Grant	93,575	011-13-2	16,202	16,202
Pass-through from NC Division of Public Health/WHB Young Moms Connect (September 1, 2012 - August 31, 2014)	93,500	00026717	76,290	62,361
Young Families Connect (February 1, 2014 - July 31, 2014)	93,500	00030212	33,970	58,925
<b>Total Federal Awards</b>			<u>180,382</u>	<u>194,207</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services, Division of Child Development and Early Education			644,477	644,477
Pass-through from the North Carolina Partnership for Children, Inc. Early Childhood Initiatives Program (Current Year)	*		(831)	
Early Childhood Initiatives Program (Prior Year)				(831)
North Carolina Department of Health and Human Services, Division of Child Development and Early Education			1,083,983	1,083,983
Pass-through from the North Carolina Partnership for Children, Inc. NC Pre-K (current Year)	*			
North Carolina Department of Health and Human Services, Division of Public Health			158,019	158,019
Nurse Family Partnership (July 1, 2014 - May 31, 2014))	*			13,860
Nurse Family Partnership (June 1, 2014 - May 31, 2015)			-	
<b>Total State Awards</b>			<u>1,885,648</u>	<u>1,899,508</u>
<b>Total Federal and State Awards</b>			<u>\$ 2,066,030</u>	<u>\$ 2,093,715</u>

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

**Rockingham County Partnership for Children, Inc.**  
**Schedule of Property and Equipment - Modified Cash Basis**  
**For the Year Ended June 30, 2014**

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**Schedule 4**

Furniture and Noncomputer Equipment	\$ 29,639
Computer Equipment / Printers	69,216
Buildings	104,475
Land	130,061
Leasehold Improvements	37,040
<b>Total Property and Equipment</b>	<b>\$ 370,431</b>

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.

**Rockingham County Partnership for Children, Inc.  
 Schedule of Qualifying Match (Non-GAAP)  
 For the Year Ended June 30, 2014**

**Schedule 5**

**Match Provided at the Partnership Level:**

Cash	\$ 40,494
In-Kind Goods and Services	8,886
	<hr/>
<b>Total</b>	<b>\$ 49,380</b>
	<hr/> <hr/>

**Match Provided at the Contractor Level:**

Cash	\$ 156,671
In-Kind Goods and Services	26,199
	<hr/>
<b>Total</b>	<b>\$ 182,870</b>
	<hr/> <hr/>

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*

To Board Members of  
Rockingham County Partnership for Children, Inc.  
Reidsville, North Carolina

We have audited the financial statements of Rockingham County Partnership for Children, Inc. (the "Organization"), as of and for the year ended June 30, 2014, and have issued our report thereon dated February 28, 2015. 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.

As described in Note 1, the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

*Internal Control over Financial Reporting*

In planning and performing our audit, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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.

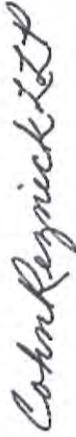
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Organization'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 Organization's internal control or 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.



Charlotte, North Carolina  
February 28, 2015

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