

FINANCIAL STATEMENT AUDIT REPORT OF
DURHAM'S PARTNERSHIP FOR CHILDREN
DURHAM, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2015

BOARD OF DIRECTORS

LINZIE ATKINS III, BOARD CHAIR

ADMINISTRATIVE OFFICER

LAURA BENSON, EXECUTIVE DIRECTOR

Durham's Partnership for Children

Index

	<u>Page</u>
Independent Auditor's Report	3
Financial Statements	
Exhibits	
A Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis	6
B Statement of Functional Expenditures - Modified Cash Basis	7
Notes to Financial Statements	8
Supplementary Schedules	
1 Schedule of Contract and Grant Expenditures - Modified Cash Basis	17
2 Schedule of State Level Service Provider Contracts	18
3 Schedule of Federal and State Awards - Modified Cash Basis	19
4 Schedule of Property and Equipment - Modified Cash Basis	20
5 Schedule of Qualifying Match (Non-GAAP)	21
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 <i>Government Auditing Standards</i>	22

Independent Auditor's Report

To Board Members of
Durham's Partnership for Children
Durham, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of Durham's Partnership for Children which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2015, 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 Durham's Partnership for Children, as of and for the year ended June 30, 2015, 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 18 and Schedule 5 on page 21 are not required parts 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 Schedules 2 and 5.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Durham's Partnership for Children. The accompanying supplementary Schedules 1, 3, and 4 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 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 November 25, 2015, on our consideration of Durham's Partnership for Children'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 Durham's Partnership for Children's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Charlotte, North Carolina
November 25, 2015

Durham's Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2015

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards and Contracts	\$ 5,041,857	\$ 622,899	\$ -	\$ 5,664,756
Federal Awards	-	3,160,934	-	3,160,934
Local Awards	-	13,310	-	13,310
Private Contributions	-	200,018	12,562	212,580
Special Fund Rasing Events	-	16,913	-	16,913
Interest and Investment Earnings	-	866	-	866
Sales Tax Refunds	-	2,006	-	2,006
Total Receipts	5,041,857	4,016,946	12,562	9,071,365
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	38,873	(38,873)	-
	5,041,857	4,055,819	(26,311)	9,071,365
Expenditures:				
Programs:				
Child Care and Education Affordability	1,716,008	1,881,087	-	3,597,095
Child Care and Education Quality	636,509	41,728	-	678,237
Family Support	645,935	212,095	-	858,030
Health and Safety	144,747	-	-	144,747
NC Pre-K	1,369,119	1,939,909	-	3,309,028
Support:				
Management and General	319,799	106,958	-	426,757
Program Coordination and Evaluation	209,740	2,333	-	212,073
Other:				
Sales Tax Paid	-	3,122	-	3,122
Total Expenditures	5,041,857	4,187,232	-	9,229,089
Excess (Deficiency) of Receipts Over Expenditures	-	(131,413)	(26,311)	(157,724)
Net Assets at Beginning of Year	-	671,648	41,290	712,938
Net Assets at End of Year	\$ -	\$ 540,235	\$ 14,979	\$ 555,214
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ -	\$ 540,235	\$ 14,979	\$ 555,214

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

Durham's Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2015

Exhibit B

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/Contracts/Grants</u>
Smart Start Fund:								
Programs:								
Child Care and Education Affordability	\$ 1,716,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,716,008
Child Care and Education Quality	636,509	-	-	-	-	-	-	636,509
Family Support	645,935	-	-	-	-	-	-	645,935
Health and Safety	144,747	-	-	-	-	-	-	144,747
NC Pre-K	1,369,119	-	-	-	-	-	-	1,369,119
	<u>4,512,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,512,318</u>
Support:								
Management and General	319,799	255,558	12,922	6,979	18,322	22,562	3,456	-
Program Coordination and Evaluation	209,740	188,671	43	5,114	6,205	9,707	-	-
	<u>529,539</u>	<u>444,229</u>	<u>12,965</u>	<u>12,093</u>	<u>24,527</u>	<u>32,269</u>	<u>3,456</u>	<u>-</u>
Total Smart Start Fund Expenditures	\$ 5,041,857	\$ 444,229	\$ 12,965	\$ 12,093	\$ 24,527	\$ 32,269	\$ 3,456	\$ 4,512,318
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 1,881,087	\$ 39,767	\$ 8,132	\$ -	\$ 8,267	\$ -	\$ -	\$ 1,824,921
Child Care and Education Quality	41,728	6,989	1,242	2,867	8,783	118	-	21,729
Family Support	212,095	130,429	18,860	2,441	54,377	3,272	1,318	1,398
NC Pre-K	1,939,909	109,903	6,791	959	5,845	9,604	-	1,806,807
	<u>4,074,819</u>	<u>287,088</u>	<u>35,025</u>	<u>6,267</u>	<u>77,272</u>	<u>12,994</u>	<u>1,318</u>	<u>3,654,855</u>
Support:								
Management and General	106,958	72,030	13,920	42	13,588	7,378	-	-
Program Coordination and Evaluation	2,333	-	1,900	-	393	40	-	-
	<u>109,291</u>	<u>72,030</u>	<u>15,820</u>	<u>42</u>	<u>13,981</u>	<u>7,418</u>	<u>-</u>	<u>-</u>
Other:								
Sales Tax Paid	3,122	-	-	3,122	-	-	-	-
	<u>3,122</u>	<u>-</u>	<u>-</u>	<u>3,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	\$ 4,187,232	\$ 359,118	\$ 50,845	\$ 9,431	\$ 91,253	\$ 20,412	\$ 1,318	\$ 3,654,855

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

DURHAM'S PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - Durham's Partnership for Children (Durham's Partnership) is a legally separate nonprofit organization incorporated on October 31, 1994. Durham's Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. Durham's 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 Durham's Partnership's Board of Directors is responsible. Pursuant to the provisions of 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 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.

The Durham's Partnership did not have any permanently restricted net assets as of June 30, 2015.

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. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, the Durham's Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Durham's 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, 2015.
- F. 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.
- G. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Durham's 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.
- H. Qualifying Match and Contributions In-Kind** - The Durham's 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 Durham's Partnership also benefits from donated volunteer hours which do not require specific expertise but which are nonetheless central to the Durham's Partnership's operations. See supplemental Schedule 5 for more information on contributions in-kind.

NOTE 2 - DEPOSITS

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

Deposits over insured amounts subject the Durham's Partnership to a concentration of credit risk. At June 30, 2015, the Durham's Partnership's bank deposits in excess of the FDIC insured limit was \$238,069.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

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

Associated with these contracts, the Durham's 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 Durham's 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 Durham's Partnership was awarded and has received \$5,041,857 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Durham's 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, 2015.

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

NC Pre-K - The Durham's Partnership's also received revenue and support from the State of North Carolina for the NC Pre-K program. The Durham's Partnership was awarded \$1,898,541 and received \$1,882,817 under a current year financial assistance contract. The NC Pre-K program included both state and federal funds to the Durham's Partnership for the year ended June 30, 2015.

The Durham's Partnership expects to receive continued funding through new NC Pre-K contracts with the State.

Early Head Start Program - The Durham's Partnership was also awarded a federal Early Head Start grant with the Department of Health and Human Services through the Administration for Children and Families Division. The amount received during the fiscal year was \$1,088,575. The contract period for these funds was January 1, 2014 through December 31, 2014. A new Early Head Start grant was awarded for \$1,802,668 for the period of January 1, 2015 through December 31, 2015. The amount received during this fiscal year was \$765,982. An additional expansion grant was awarded for \$1,773,353 for the period of March 1, 2015 through August 31, 2016. The amount received during this fiscal year was \$26,530.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Durham's Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Durham's Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Durham's 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 Durham's 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 Affordability - Used to account for service activities including child care subsidy administration (Division of Child Development), child care cost supports, NC Pre-K cost supports, and Early Head Start cost supports.

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, salary supplements, provider training and comprehensive Pre-K to kindergarten transition and readiness efforts with providers, educators, children and families, and the community.

Family Support - Used to account for service activities including family resource centers, ongoing parenting education, home visiting, family literacy and community outreach information and resources.

Health and Safety - Used to account for service activities including social-emotional consultation, training and referral related to inclusive child care.

NC Pre-K - Used to account for activities related to development, implementation and oversight of NC Pre-K prekindergarten services for at-risk four-year olds, in order to increase 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.

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

NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2015:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2016	\$ 42,513
2017	32,595
2018	-
2019	-
2020	-
Total Minimum Lease Payments	<u>\$ 75,108</u>

Rental expense for all operating leases during the year was \$41,377.

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans- IRC Section 401(k) Plan - The Durham's Partnership has an IRC Section 401(k) plan (Plan). All costs of administering the Plan are the responsibility of the Plan Sponsor. The Durham's Partnership contributed 8% of gross wages for the ended June 30, 2015. Employees may make voluntary contributions to the Plan. For the year ended June 30, 2015, the Durham's Partnership contributed \$48,667 to the Plan.

NOTE 8 - RISK MANAGEMENT

The Durham's 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 Durham's Partnership manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
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 Durham's 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 Durham's 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, 2015, is \$16,647. 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, 2015 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Annual Fund for Future Initiatives	\$ 2,417
Morgan Creek Foundation for Transition to Kindergarten Initiative	12,562
	<u>\$ 14,979</u>

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2015 by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Faith Based Early Childhood Initiative for engaging congregations	\$ 2,583
Morgan Creek Foundation for Transition to Kindergarten Initiative	11,290
Wells Fargo Foundation for Transition to Kindergarten Initiative	25,000
	<u>\$ 38,873</u>

NOTE 11 - INCOME TAXES

The Durham's 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 Durham's Partnership does not believe there are any unrecognized tax benefits or costs as of June 30, 2015. Income tax returns from 2012 through 2014 are open to examination by the tax authorities.

NOTE 12 - SUBSEQUENT EVENTS

The Durham's Partnership has evaluated events and transactions that occurred between June 30, 2015 and November 25, 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, 2015 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, 2015.

SUPPLEMENTARY INFORMATION

Durham's Partnership for Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2015

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
Beautiful Beginnings	* \$ -	\$ -	\$ 110,175	\$ -
Brown's Day Care Center	-	-	117,000	-
Bryson Christian Montessori School, Inc.	-	-	3,992	-
Chapel Hill Training and Outreach Project, Inc.	* -	-	2,013,321	-
Child and Parent Support Services	323,797	-	-	-
Child Care Services Association	* 3,676,559	-	-	-
Childcare Network	-	-	8,079	-
Children's Campus at Southpoint, LLC	-	-	111,800	-
Christian Prep Academy	-	-	228,550	-
Communities In Schools of Durham	45,077	-	-	-
Durham County Cooperative Extension	* 260,161	-	-	-
Durham Public Schools	* -	-	283,200	-
El Centro Hispano, Inc.	61,977	-	-	-
Exchange Clubs Child Abuse Prevention Center	144,747	-	-	-
First Presbyterian Day School	-	-	57,525	-
Primary Colors Day Care - Dixon Road	* -	-	252,850	-
Primary Colors Day Care - Union Independent	* -	-	117,000	-
Triangle Day Care Center	-	-	14,536	-
Tutor Time Child Care	-	-	204,375	-
White Rock Child Development Center	-	-	109,325	-
	<u>4,512,318</u>	<u>-</u>	<u>3,631,728</u>	<u>-</u>
Individuals:				
Community Children's Outreach	-	-	16,213	-
Mini-Grants for Transition to K Activities	-	-	6,035	-
Partnership Workshop Participation	-	-	879	-
	<u>-</u>	<u>-</u>	<u>23,127</u>	<u>-</u>
	<u>\$ 4,512,318</u>	<u>\$ -</u>	<u>\$ 3,654,855</u>	<u>\$ -</u>

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

**Durham's Partnership for Children
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2015**

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$ Program *	\$ 619,144

* 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 as described in Note 3 - Funding from Grant Awards and Contracts.

**Durham's Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2015**

Schedule 3

Federal and State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract Number	Receipts	Expenditures
Federal Awards:				
United States Department of Health and Human Services				
Administration for Children and Families				
Early Head Start 2014	93.600	04CH4630/03	\$ 1,088,575	\$ 1,088,575
Early Head Start 2015	93.600	04CH479/01	765,982	765,982
Early Head Start Expansion 2015	93.600	04HP0048/01	26,530	26,530
			<u>1,881,087</u>	<u>1,881,087</u>
Pass-through from the North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
Temporary Assistance for Needy Families (North Carolina Pre-Kindergarten)	** 93.558	00030139	<u>1,278,676</u>	<u>1,278,676</u>
United States Department of Education				
Pass-through from the North Carolina Department of Health and Human Services				
Pass-through from The North Carolina Partnership for Children, Inc.				
Race To the Top Early Learning Challenge Grant	84.412A	DATA 320:14/15-019	<u>1,171</u>	<u>2,070</u>
Total Federal Awards			<u>3,160,934</u>	<u>3,161,833</u>
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)	*	N/A	5,041,857	5,041,857
Multi-County Accounting and Contracting Grant (Current Year)	N/A	N/A	18,758	18,758
North Carolina Department of Health and Human Services, Division of Child Development and Early Education				
NC Pre-K (Current Year)	*	N/A	<u>604,141</u>	<u>604,141</u>
Total State Awards			<u>5,664,756</u>	<u>5,664,756</u>
Total Federal and State Awards			<u>\$ 8,825,690</u>	<u>\$ 8,826,589</u>

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

** Major Programs per OMB Circular A-133.

Durham's Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2015

Schedule 4

Furniture and Noncomputer Equipment	\$ 97,433
Computer Equipment / Printers	62,326
Leasehold Improvements	<u>1,000</u>
Total Property and Equipment	<u><u>\$ 160,759</u></u>

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.

**Durham's Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2015**

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 2,135,123
In-Kind Goods and Services	<u>17,241</u>
Total	<u><u>\$ 2,152,364</u></u>

Match Provided at the Contractor Level:

Cash	\$ 459,648
In-Kind Goods and Services	<u>266,546</u>
Total	<u><u>\$ 726,194</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2014-100, 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
Durham's Partnership for Children
Durham, North Carolina

We have audited, 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, the financial statements of Durham's Partnership for Children (the "Organization"), as of and for the year ended June 30, 2015, and have issued our report thereon dated November 25, 2015.

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 of the financial statements, 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.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Charlotte, North Carolina
November 25, 2015