FINANCIAL STATEMENT AUDIT REPORT OF

LENOIR/GREENE COUNTY PARTNERSHIP FOR CHILDREN

KINSTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2015

BOARD OF DIRECTORS

ASHLEY CHADWICK, CHAIRMAN

ADMINISTRATIVE OFFICER

KEITH SYLVESTER, EXECUTIVE DIRECTOR

Lenoir/Greene County Partnership for Children
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June 30, 2015

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

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INDEPENDENT AUDITOR'S REPORT

To the Board Members
Lenoir/Greene County Partnership for Children
Kinston, North Carolina

Report on Financial Statements

We have audited the accompanying statement of receipts, expenditures, and net assets – modified cash basis of Lenoir/Greene County Partnership for Children 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 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

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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 Lenoir/Greene County Partnership for Children, as of and for the year ended June 30, 2015, 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 4 on page 21 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 4.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Lenoir/Greene County Partnership for Children. The accompanying supplementary Schedules 1, 2 and 3 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 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 29, 2016, on our consideration of Lenoir/Greene County 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 the Lenoir/Greene County Partnership for Children's internal control over financial reporting and compliance

Winston, Williams, Creech, Evans & Company, LLP

Oxford, North Carolina
February 29, 2016

Lenoir/Greene County Partnership for Children, Inc.

Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis

For the Year Ended June 30, 2015 ***Exhibit A***

	Unrestricted Funds			
	Smart Start Funds	**Other Funds**	**Temporarily Restricted Funds**	**Total Funds**
Receipts:				
State Awards and Contracts	$ 1,516,875	$ 1,579,930	$ 30,038	$ 3,126,843
Federal Awards	-	305,399	-	305,399
Private Contributions	-	6,289	-	6,289
Special Fund Raising Events	-	14,940	-	14,940
Interest and Investment Earnings	-	136	417	553
Sales Tax Refunds	-	5,007	-	5,007
Other Receipts	-	5,542	-	5,542
Total Receipts	1,516,875	1,917,243	30,455	3,464,573
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	70	(70)	-
	1,516,875	1,917,313	30,385	3,464,573
Expenditures:				
Programs:				
Child Care and Education Affordability	635,479	450	-	635,929
Child Care and Education Quality	241,273	43,068	-	284,341
Family Support	234,503	214,317	-	448,820
Health and Safety	78,966	67,090	-	146,056
NC Pre-K	103,304	1,580,769	-	1,684,073
Little by Little	-	100	-	100
Support:				
Management and General	146,723	6,771	-	153,494
Program Coordination and Evaluation	76,627	584	-	77,211
Other:				
Sales Tax Paid	-	6,607	-	6,607
Total Expenditures	1,516,875	1,919,756	-	3,436,631
Excess/Deficiency of Receipts Over Expenditures	-	(2,443)	30,385	27,942
Net Assets at Beginning of Year	-	83,344	43,327	126,671
Net Assets at End of Year	$ -	$ 80,901	$ 73,712	$ 154,613
Net Assets Consisted of:				
Cash and Cash Equivalents	$ 15,653	$ 48,307	$ 35,805	$ 99,765
Investments	-	33,827	37,907	71,734
	15,653	82,134	73,712	171,499
Less: Due to State	15,653	-	-	15,653
Funds Held for Others	-	1,233	-	1,233
TOTAL NET ASSETS	$ -	$ 80,901	$ 73,712	$ 154,613

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

Lenoir/Greene County Partnership for Children, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2015

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
Smart Start Funds:								
Programs:								
Child Care and Education Affordability	$ 635,479	$ 41,322	$ 20	$ 264	$ 3,331	$ 591	$ 202	$ 589,749
Child Care and Education Quality	241,273	141,079	99	25,147	32,000	20,466	8,408	14,074
Family Support	234,503	154,929	1,043	1,288	17,579	5,458	2,106	52,100
Health and Safety	78,966	69,205	33	480	8,343	591	314	-
NC Pre-K	103,304	38,721	63	734	10,974	941	471	51,400
	1,293,525	445,256	1,258	27,913	72,227	28,047	11,501	707,323
Support:								
Management and General	146,723	119,171	1,869	758	16,384	7,219	1,322	-
Program Coordination and Evaluation	76,627	69,993	30	264	6,079	261	-	-
	223,350	189,164	1,899	1,022	22,463	7,480	1,322	-
Total Smart Start Fund Expenditures	$ 1,516,875	$ 634,420	$ 3,157	$ 28,935	$ 94,690	$ 35,527	$ 12,823	$ 707,323
Other Funds:								
Programs:								
Child Care and Education Affordability	$ 450	$ 184	$ -	$ 2	$ 250	$ 14	$ -	$ -
Child Care and Education Quality	43,068	32,988	625	6,536	2,252	667	-	-
Family Support	214,317	59,648	-	12,043	138,723	1,783	-	2,120
Health and Safety	67,090	58,633	-	1,439	5,924	289	805	-
NC Pre-K	1,580,769	58,127	-	9	790	43	-	1,521,800
Little by Little	100	-	-	-	100	-	-	-
	1,905,794	209,580	625	20,029	148,039	2,796	805	1,523,920
Support:								
Management and General	6,771	5,920	-	4	318	529	-	-
Program Coordination and Evaluation	584	187	-	3	374	20	-	-
	7,355	6,107	-	7	692	549	-	-
Other:								
Sales Tax Paid	6,607	-	-	6,607	-	-	-	-
	6,607	-	-	6,607	-	-	-	-
Total Other Funds Expenditures	$ 1,919,756	$ 215,687	$ 625	$ 26,643	$ 148,731	$ 3,345	$ 805	$ 1,523,920

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Lenoir/Greene County Partnership for Children. (Lenoir/Greene Partnership) is a legally separate nonprofit organization incorporated on October 21, 1994. The Lenoir/Greene Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Lenoir/Greene 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 Lenoir/Greene 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 Lenoir/Greene Partnership did not have any permanently restricted net assets at 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 certificates of deposit and other short-term investments with an original maturity of three months or less.

E. **Investments** - This classification includes certificates of deposit for which the original maturity term exceeds three months. Under the modified cash basis of accounting, investments in marketable securities are reported at cost, which may differ significantly from their fair values.

F. **Due to 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.

G. **Funds Held For Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which the Lenoir/Greene Partnership acts in an agency capacity. For the year ended June 30, 2015, the Lenoir/Greene Partnership was awaiting collection of Blue Cross Blue Shield employee/dependent dental insurance premiums from employee's paychecks to cover a payment the Partnership made to the insurance company.

H. **Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Lenoir/Greene Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 3 of this report. The Lenoir/Greene 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. Donated items are recorded on the property and equipment log at estimated fair market value at the date of donation.

I. **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.

J. **Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Lenoir/Greene 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.

K. **Qualifying Match and Contributions In-Kind** - Lenoir/Greene 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 4. 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 4 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. Lenoir/Greene Partnership also benefits from donor volunteer hours which do not require specific expertise but which are nonetheless central to Lenoir/Greene Partnership's operations. See supplemental Schedule 4 for more information on contributions in-kind.

NOTE 2 - DEPOSITS

A. For all accounts at financial institutions qualifying for FDIC coverage all funds of the Lenoir/Greene 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 Lenoir/Greene Partnership to a concentration of credit risk. At June 30, 2015, the Lenoir/Greene Partnership did not have any bank deposits not insured by FDIC.

B. **Investments** – The Lenoir/Greene Partnership held certificates of deposit with two local banks. The investments, whose original maturity term exceeds three months, are reported at cost which approximates fair value. At June 30, 2015, the investment balance was $71,734. Certificates of deposit reported as investments are also a component of the insured limit and risk reported in the deposits section of this note.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

Smart Start Program - The Lenoir/Greene 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 Lenoir/Greene Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Lenoir/Greene Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area.

The Lenoir/Greene Partnership was awarded and has received $1,532,528 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Lenoir/Greene Partnership has refunded $15,653 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2015.

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

Regional Child Care Resource and Referral Program (CCR&R) – The Lenoir/Greene Partnership received revenue and support from the North Carolina Department of Health and Human Services based on a cost reimbursement pass-through contract with (Regional DCD) for the Regional Child Care Resource and Referral Program.

The Lenoir/Greene Partnership was awarded $33,209 and has received $33,209 under a current year contract.

The Lenoir/Greene Partnership expects to receive continued funding through new Regional Child Care Resource and Referral Program contracts with (Regional DCD).

NC Pre-K - The Lenoir/Greene Partnership also received revenue and support from the State of North Carolina for the NC Pre-K program. The Lenoir/Greene Partnership was awarded $1,579,930 and received $1,579,930 under a current year financial assistance contract.

The Lenoir/Greene Partnership expects to receive continued funding through new NC Pre-K contracts with the State.

Race to the Top – Early Learning Challenge Grant – The Lenoir/Greene Partnership for Children 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) passed thru from County of Lenoir and North Carolina Partnership for Children (NCPC). The RTT-ELC is a federally funded initiative to reduce disparities in school readiness among children with high needs and their peers. The Lenoir/Greene Partnership was awarded $589,955 and received $266,294 under the current year RTT-ELC grants.

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

Race to the Top – High Quality Plan for Workforce – Child Care Resource and Referral Enhancement Grant – The Lenoir/Greene Partnership also received revenue and support from the North Carolina Department of Health & Human Services (DHHS) RTT-ELC grant passed thru from Martin/Pitt Partnership for Children. The Lenoir/Greene Partnership for Children was awarded $20,866 and has received $5,896 under the current year grant.

The Lenoir/Greene Partnership for Children expects to continue receiving funding through DHHS for the grant.

Triple P Grant – The Lenoir/Greene Partnership also received revenue and support from the North Carolina Department of Health and Human (DHHS) services Triple P grant passed thru from the County of Lenoir and Jones County Health Department. The Lenoir/Greene Partnership for Children was awarded $30,038 and received $30,038 under the current year grant.

The Lenoir/Greene Partnership for Children does not expect to continue receiving funding for this grant through DHHS.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Lenoir/Greene Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Lenoir/Greene Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Lenoir/Greene 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 including or associated with pre-K classes, public pre-K classes, preschool (0-4) classes and child care subsidy programs outside of DCD.

Child Care and Education Quality - Used to account for service activities including *or* associated with quality enhancement and maintenance, child care resource and referral and health/safety training for child care professionals.

Family Support - Used to account for service activities including *or* associated with ongoing parenting education, family intervention, literacy or family literacy projects, community outreach information and resources and home visiting or family support needs.

Health and Safety - Used to account for service activities including *or* associated with child care health consultation and assuring better child health and development (ABCD).

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.

Little by Little – Used to account for expenditures associated with the Little by Little program, a school readiness program designed for low income families.

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, daily practices, and evaluation of service delivery. Also, costs associated with providing technical assistance, monitoring and reporting of in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

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 utilization data.

NOTE 6 - LEASE OBLIGATIONS

Operating Lease Obligations - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2015:

Fiscal Year	Operating Leases
2016	$ 5,230
2017	3,737
2018	624
Total Minimum Lease Payments	$ 9,591

Rental expense for all operating leases during the year was $19,700.

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 Lenoir/Greene Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Lenoir/Greene Partnership contributed 6% of gross wages for the year ended June 30, 2015. 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 Lenoir/Greene Partnership contributed $39,616 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Lenoir/Greene 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 Lenoir/Greene 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
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 Lenoir/Greene 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 Lenoir/Greene 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 $56,195. 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:

Purpose	Amount
Triple P program	$ 30,038
Little by Little program	38,059
Meeting expenses for spouses of employees	115
Safe Kids Car seat Copayment	2,000
Rotary Grant – Reach Out and Read	3,500
	$ 73,712

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:

Purpose	Amount
Ronald McDonald House Charities Grant	$ 70
	$ 70

NOTE 11 - INCOME TAXES

The Lenoir/Greene 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 Lenoir/Greene Partnership does not believe there are any unrecognized tax benefits or costs as of June 30, 2015. Income tax returns from fiscal years 2012 through 2015 are open to examination by the tax authorities.

NOTE 12 - SUBSEQUENT EVENTS

The Lenoir/Greene Partnership has evaluated events and transactions that occurred between June 30, 2015 and February 29, 2016, 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.

This information is an integral part of the financial statements.

SUPPLEMENTARY SCHEDULES

Lenoir/Greene County Partnership for Children, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2015 ***Schedule 1***

Organization Name	Smart Start Funds Amount Advanced	Smart Start Funds Refund Due	Other Funds Amount Advanced	Other Funds Refund Due
Organizations:				
* Amazing Giants	$ 740	$ -	$ -	$ -
Cheryl's County Kids	1,391	-	-	-
Country Kids	2,051	-	-	-
County of Lenoir	52,100	-	-	-
Deep Run Child Care	111,520	-	220,680	-
* Greene County Public Schools	195,767	-	511,100	-
* Jacob's Little Giants	790	-	-	-
* Kids of Joy	4,578	-	-	-
* Lenoir County Public Schools	336,276	-	790,020	-
Miss Charlie's Child Care	2,110	-	-	-
	707,323	-	1,521,800	-
Individuals:				
Safe Kids participants	-	-	2,120	
	-	-	2,120	-
	$ 707,323	$ -	$ 1,523,920	$ -

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

Lenoir/Greene County Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2015 ***Schedule 2***

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
U.S. 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.				
RTT-ABCD Implement	84.412	320:13-14-024	$ 60,411	$ 66,169
RTT-ELC Grant	84.412	320: 12-31-011	-	5,920
Pass-through from Martin/Pitt Partnership for Children				
RTT-ELC Grant	84.412	NA	5,896	3,396
Pass-through from County of Lenoir Health Department				
RTT-Positive Parenting Program	84.412	N/A	205,883	205,113
Reginal Division of Child Development Grant				
Pass-through from the Martin-Pitt Partnership for Children				
Child Care Resource and Referral	93.575	Lenoir/Greene 14-15	33,209	33,209
Total Federal Awards			$ 305,399	$ 313,807
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	1,516,875	1,516,875
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
NC Pre-K (Current Year)			1,579,930	1,579,930
North Carolina Department of Health and Human Services				
Pass-through from County of Lenoir Health Department			25,000	-
Pass-through from Jones County Health Department			5,038	-
Total State Awards			$ 3,126,843	$ 3,096,805
Total Federal and State Awards			$ 3,432,242	$ 3,410,612

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

Lenoir/Greene County Partnership for Children, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2015 ***Schedule 3***

Furniture and Noncomputer Equipment	$	78,225
Computer Equipment/Printers		32,680
Buildings		319,069
Motor Vehicles		7,775
Total Property and Equipment	$	437,749

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.

Lenoir/Greene County Partnership for Children, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2015 *Schedule 4*

Match Provided at the Partnership Level:

Cash	$	27,534
In-Kind Goods and Services		15,657
	$	43,191

Match Provided at the Contractor Level:

In-Kind Goods and Services		269,865
	$	269,865

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.

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

Certified Public Accountants

America Counts on CPAs

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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 Members of
Lenoir/Greene County Partnership for Children
Kinston, 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 Lenoir/Greene County Partnership for Children (a nonprofit organization), which comprise the statement of receipts, expenditures, and net assets – modified cash basis as of 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, and have issued our report thereon dated February 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lenoir/Greene County Partnership for Children'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 Lenoir/Greene County Partnership for Children's internal control. Accordingly, we do not express an opinion on the effectiveness of Lenoir/Greene County Partnership for Children'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lenoir/Greene County Partnership for Children'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 29, 2016