

FINANCIAL STATEMENT AUDIT REPORT OF  
RANDOLPH COUNTY PARTNERSHIP  
FOR CHILDREN  
ASHEBORO, NORTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2015

BOARD OF DIRECTORS  
LYNN JONES, BOARD CHAIR

ADMINISTRATIVE OFFICER  
LISA HAYWORTH, EXECUTIVE DIRECTOR

Randolph County Partnership for Children

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## Independent Auditor's Report

To Board Members of  
Randolph County Partnership for Children  
Asheboro, North Carolina

### Report on Financial Statements

We have audited the accompanying financial statements of Randolph County 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 Randolph County 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 21 and Schedule 5 on page 24 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 Randolph County 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 October 18, 2015, on our consideration of Randolph 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 Randolph County Partnership for Children's internal control over financial reporting and compliance.

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

Charlotte, North Carolina  
October 18, 2015

**Randolph County 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	Permanently Restricted Funds	Total Funds
	Smart Start Funds	Other Funds			
<b>Receipts:</b>					
State Awards and Contracts	\$ 939,811	\$ 1,435,511	\$ -	\$ -	\$ 2,375,322
Federal Awards	-	15,036	-	-	15,036
Private Contributions	-	216,921	51,005	-	267,926
Special Fund Raising Events	-	38,974	10,845	15,560	65,379
Sales Tax Refunds	-	5,309	-	-	5,309
Other Receipts	-	2,175	-	-	2,175
<b>Total Receipts</b>	<b>939,811</b>	<b>1,713,926</b>	<b>61,850</b>	<b>15,560</b>	<b>2,731,147</b>
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	-	34,304	(34,304)	-	-
	<b>939,811</b>	<b>1,748,230</b>	<b>27,546</b>	<b>15,560</b>	<b>2,731,147</b>
<b>Expenditures:</b>					
Programs:					
Child Care and Education Affordability	57,200	36,007	-	-	93,207
Child Care and Education Quality	207,591	24,404	-	-	231,995
Family Support	322,845	64,613	-	-	387,458
Health and Safety	79,742	148,655	-	-	228,397
NC Pre-K	-	1,435,511	-	-	1,435,511
Support:					
Management and General	166,092	10,351	-	-	176,443
Program Coordination and Evaluation	106,341	19	-	-	106,360
Other:					
Sales Tax Paid	-	3,547	-	-	3,547
<b>Total Expenditures</b>	<b>939,811</b>	<b>1,723,107</b>	<b>-</b>	<b>-</b>	<b>2,662,918</b>
<b>Excess of Receipts Over Expenditures</b>	<b>-</b>	<b>25,123</b>	<b>27,546</b>	<b>15,560</b>	<b>68,229</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>32,553</b>	<b>48,540</b>	<b>128,735</b>	<b>209,828</b>
<b>Net Assets at End of Year</b>	<b>\$ -</b>	<b>\$ 57,676</b>	<b>\$ 76,086</b>	<b>\$ 144,295</b>	<b>\$ 278,057</b>
<b>Net Assets Consisted of:</b>					
Cash and Cash Equivalents	\$ 14,713	\$ 55,783	\$ 76,086	\$ -	\$ 146,582
Beneficial Interest in the Community Foundation	-	-	-	144,295	144,295
Refunds Due From Contractors	150	-	-	-	150
	<b>14,863</b>	<b>55,783</b>	<b>76,086</b>	<b>144,295</b>	<b>291,027</b>
Less: Due to State	14,863	-	-	-	14,863
Funds Held For Others	-	(1,893)	-	-	(1,893)
	<b>14,863</b>	<b>(1,893)</b>	<b>-</b>	<b>-</b>	<b>12,970</b>
	<b>\$ -</b>	<b>\$ 57,676</b>	<b>\$ 76,086</b>	<b>\$ 144,295</b>	<b>\$ 278,057</b>

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

Randolph County Partnership for Children  
 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
<b>Smart Start Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 57,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,200
Child Care and Education Quality	207,591	159,258	1,360	4,273	29,604	1,826	160	11,110
Family Support	322,845	84,073	-	2,486	14,391	1,640	1,904	218,351
Health and Safety	79,742	4,514	-	-	-	-	-	75,228
	<u>667,378</u>	<u>247,845</u>	<u>1,360</u>	<u>6,759</u>	<u>43,995</u>	<u>3,466</u>	<u>2,064</u>	<u>361,889</u>
<b>Support:</b>								
Management and General	166,092	115,320	15,903	3,104	20,626	8,480	2,659	-
Program Coordination and Evaluation	106,341	86,391	12,788	486	4,442	2,234	-	-
	<u>272,433</u>	<u>201,711</u>	<u>28,691</u>	<u>3,590</u>	<u>25,068</u>	<u>10,714</u>	<u>2,659</u>	<u>-</u>
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 939,811</b>	<b>\$ 449,556</b>	<b>\$ 30,051</b>	<b>\$ 10,349</b>	<b>\$ 69,063</b>	<b>\$ 14,180</b>	<b>\$ 4,723</b>	<b>\$ 361,889</b>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 36,007	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,007
Child Care and Education Quality	24,404	14,465	-	-	2,474	5	-	7,460
Family Support	64,613	36,746	-	590	6,106	3,700	355	17,116
Health and Safety	148,655	119,174	-	669	12,541	975	-	15,296
NC Pre-K	1,435,511	58,668	-	-	187	-	-	1,376,656
	<u>1,709,190</u>	<u>229,053</u>	<u>-</u>	<u>1,259</u>	<u>21,308</u>	<u>4,680</u>	<u>355</u>	<u>1,452,535</u>
<b>Support:</b>								
Management and General	10,351	-	-	52	1,154	1,399	7,746	-
Program Coordination and Evaluation	19	-	-	19	-	-	-	-
	<u>10,370</u>	<u>-</u>	<u>-</u>	<u>71</u>	<u>1,154</u>	<u>1,399</u>	<u>7,746</u>	<u>-</u>
<b>Other:</b>								
Sales Tax Paid	3,547	-	-	3,547	-	-	-	-
	<u>3,547</u>	<u>-</u>	<u>-</u>	<u>3,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Funds Expenditures</b>	<b>\$ 1,723,107</b>	<b>\$ 229,053</b>	<b>\$ -</b>	<b>\$ 4,877</b>	<b>\$ 22,462</b>	<b>\$ 6,079</b>	<b>\$ 8,101</b>	<b>\$ 1,452,535</b>

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

**RANDOLPH COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Randolph County Partnership for Children (Randolph Partnership) is a legally separate nonprofit organization incorporated on August 27, 1998. The Randolph Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Randolph 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 Randolph Partnership's Board of Directors is responsible. Pursuant to the provisions of the Financial Accounting Standards Board's accounting standards for not-for-profit entities, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by 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 Randolph 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. Beneficial Interest in Community Foundation-** This classification consists of funds invested with the Community Foundation of Greater Greensboro as reported in Note 12. The amounts shown in the permanently restricted column of Exhibit A represent the irrevocable principle in an endowment fund as described more fully in Note 13.
- F. Refunds Due From Contractors** - Refunds Due from Contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the advances are recorded as a reduction to the State awards balance.
- G. Due to the State** - The funding provided by the State of North Carolina for the Smart Start Initiative is funded on a cost-reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to the North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- H. Funds Held For Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which the Randolph Partnership acts in an agency capacity. For the year ended June 30, 2015, the balance of \$1,893 represents overpayment of health insurance benefits on behalf of employees, for which the funds were withheld from the employees' payroll subsequent to June 30, 2015.
- I. 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 Randolph Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Randolph 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.

- J. 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.
- K. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Randolph 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.
- L. Qualifying Match and Contributions In-Kind** - The Randolph 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 Randolph Partnership also benefits from donor volunteer hours which do not require specific expertise but which are nonetheless central to the Randolph Partnership's operations. See supplemental Schedule 5 for more information on contributions in-kind.

#### **NOTE 2 - DEPOSITS**

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

Deposits over insured amounts subjects the Randolph Partnership to a concentration of credit risk. At June 30, 2015, the Randolph Partnership's bank deposits in excess of the FDIC insured limit was \$15,852.

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

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

Associated with these contracts, the Randolph 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 Randolph 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 Randolph Partnership was awarded and has received \$954,987 under a current year Smart Start contract with NCPD. The unexpended balance of this contract is subject to reversion to the State. The Randolph Partnership has refunded \$14,863 of this contract to the State based on financial status reports submitted to NCPD subsequent to June 30, 2015.

In addition, the Randolph Partnership returned \$313 of a prior year contract to NCPD during the year ended June 30, 2015.

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

**NC Pre-K** - The Randolph Partnership also received revenue and support from the State of North Carolina for the NC Pre-K program. The Randolph Partnership was awarded \$1,443,741 and received \$1,435,511 under a current year financial assistance contract.

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

**Guilford Child Development** - The Randolph Partnership was awarded and received \$11,465 in federal funds under a current year contract with the Guilford Child Development Regional Child Care Resource & Referral. The unexpended balance of this contract is subject to reversion to the awarding agency. The Randolph Partnership had no unexpended funds at June 30, 2015.

**Race to the Top - Early Learning Challenge Grant** - The Randolph Partnership also received revenue and support from the North Carolina Department of Health and Human Services (DHHS) for the Race to the Top - Early Learning Challenge Grant (RTT-ELC). The RTT-ELC grant is a federally funded initiative to reduce disparities in school readiness among children with high needs and their peers. The Randolph Partnership was awarded \$10,000 and received \$3,571 under the current year RTT-ELC grant. The Randolph Partnership has no unexpended funds at June 30, 2015.

#### NOTE 4 - RELATED PARTY TRANSACTIONS

**Service Provider Contracts with Board Member Organizations** - The board members of the Randolph Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Randolph Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Randolph 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 Randolph 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 State subsidy contract and administration (Division of Child Development and Early Education) [DCDEE], dual subsidy, preschool classes and coordination, public pre-K subsidy.

**Child Care and Education Quality** - Used to account for service activities including quality enhancement and maintenance, child care resource and referral, professional development and supplements, kindergarten orientation/transition, or health insurance benefits for child care providers.

**Family Support** - Used to account for service activities including teen parent/child programs, ongoing parenting education, general family support, literacy or family literacy projects, community outreach information and resources.

**Health and Safety** - Used to account for service activities including child care health consultations 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

**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 - OPERATING LEASE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Operating Leases</u>
2016	\$ 2,676
2017	2,676
2018	2,496
2019	1,956
2020	1,304
Total Minimum Lease Payments	<u>\$ 11,108</u>

Rental expense for all operating leases during the year was \$2,647.

**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 Randolph Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Randolph Partnership contributed 7% 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 Randolph Partnership contributed \$27,776 for retirement benefits during the year.

**NOTE 8 - RISK MANAGEMENT**

The Randolph 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 Randolph 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 Randolph 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 Randolph 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 \$20,078. 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>
Success by Six for At-Risk Rising Kindergarteners	\$ 1,734
Liberty Early Childhood Center	305
Hayworth Building Repairs and Capital Expenditures	856
Dolly Parton Imagination Library Books for Children	26,888
BCBS Reimaging Outdoor Learning Environments	1,565
Reach Out and Read books for children at doctor well visit	2,063
Timken Foundation school outdoor learning environments	<u>42,675</u>
Total:	<u>\$ 76,086</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>
Assuring Better Child Development Planning Grant	\$ 5,000
Success by Six for At-Risk Rising Kindergarteners	5,209
Liberty Early Childhood Center	75
Hayworth Building Repairs and Capital Expenditures	4,284
United Way of High Point Child Care Scholarships	3,138
Dolly Parton Imagination Library Books for Children	9,348
NC Community Foundation for teen parenting	500
Prevent Obesity by Design	673
Randolph Hospital Foundation Outdoor Learning Environment	2,048
Blue Cross Blue Shield Shape NC Grant	1,256
After School Care Scholarships	667
Reach Out and Read books for children at doctor well visit	<u>2,106</u>
Total:	<u>\$ 34,304</u>

**C. Permanently Restricted Net Assets** - Permanently restricted net assets at June 30, 2015 were restricted for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Community Foundation of Greater Greensboro - permanent, donor-restricted endowment	<u>\$ 144,295</u>
	<u>\$ 144,295</u>

**NOTE 11 - INCOME TAXES**

The Randolph 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 Randolph 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 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

The Randolph Partnership is the beneficiary of an endowment established through the Community Foundation of Greater Greensboro (Community Foundation). The agreement between the Randolph Partnership and the Community Foundation provides that all the contributions to the endowment are irrevocable. The Community Foundation will make distributions of the income earned on the endowment, subject to the Community Foundation's spending policy. The agreement also permits the Community Foundation to substitute another beneficiary in the place of Randolph Partnership if the Randolph Partnership ceases to exist or if the Randolph Partnership ceases to be an organization described in Internal Revenue Code Sections 170c and 501c(3). Therefore, the Randolph Partnership has explicitly granted variance power to the Community Foundation. The Randolph Partnership's endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as the beneficial interest in the Community Foundation. The fair value of the endowment administered by the Community Foundation on behalf of the Randolph Partnership at June 30, 2015 was \$202,729; 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.

**NOTE 13 - ENDOWMENT**

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

Through March 19, 2009, the Randolph 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. The Randolph Partnership's endowment consists of a beneficial interest in a community foundation. Endowments include donor-restricted endowment funds.

The Randolph Partnership's Management has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the 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.

### **Basis of Endowment Accounting**

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

Contributions from funds held, raised or collected by the Randolph Partnership but not processed through its bank accounts are not recorded. Permanently restricted contributions sent directly by a third party to the community foundation are not recorded in the general ledger of the Randolph Partnership. There were no such third party contributions directly to the foundation during the year ended June 30, 2015. Similarly, investment earnings and expenses of endowments held by the community foundation are not recorded in the general ledger of the Randolph Partnership, unless such earnings and expenses pass through its bank accounts.

Under the terms of the agreement between the Randolph Partnership and the Community Foundation, the endowment will provide for an annual distribution of investment earnings to the Randolph Partnership. It has been the practice of Randolph Partnership to forgo the physical receipt of its annual distribution. As a result, the reinvestment of annual investment earnings distribution into the endowment fund is not reflected on the financial statements of the Randolph Partnership.

Endowment net asset composition by fund type as of June 30, 2015 follows:

<u>Unrestricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Funds	\$ -	\$ -	\$ 144,295	\$ 144,295

**NOTE 14 - SUBSEQUENT EVENTS**

The Randolph Partnership has evaluated events and transactions that occurred between June 30, 2015 and October 18, 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

**Randolph County 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
<b>Organizations:</b>				
Asheboro City Schools	\$ 57,200	\$ -	\$ 482,832	\$ -
Building Blocks for Tiny Tots	-	-	200	-
Eggleston's Playground	-	-	200	-
Family Service of the Piedmont	79,658	-	-	-
First Baptist Church (The Growing Place)	10,560	-	2,500	-
First Church of God Day School	-	-	2,200	-
First Steps	-	-	91,000	-
First Presbyterian Pre-School	-	-	1,000	-
First United Methodist Pre-School	-	-	1,000	-
My Circle of Friends	-	-	992	-
POD Grants to Centers (Preventing Obesity by Design)	-	-	1,483	-
Randleman Enrichment Center	-	-	196,000	-
Randolph County Department of Social Services	*	-	34,348	-
Randolph County Health Department	*	75,228	-	-
Randolph Hospital Grant (Non-Cash)	-	-	198	-
Randolph County Library	*	65,500	53	500
Randolph County Schools	*	70,334	97	613,121
Ray and Dawn Greene, Inc. (Precious Memories)	550	-	200	-
Shepherd's Way Day School	-	-	200	-
Stepping Stones	-	-	1,300	-
Timken Grant (Non-Cash Grants to Public Schools)	-	-	5,615	-
The Children's Center	-	-	200	-
Trogon's Day Care	-	-	667	-
	<u>359,030</u>	<u>150</u>	<u>1,435,756</u>	<u>-</u>
<b>Individuals:</b>				
Books for Individuals	46	-	4,184	-
Dolly Parton Imagination Library	-	-	9,348	-
JumpStart Kits for Children	-	-	162	-
Reach Out and Read	* 2,963	-	3,085	-
	<u>3,009</u>	<u>-</u>	<u>16,779</u>	<u>-</u>
	<u>\$ 362,039</u>	<u>\$ 150</u>	<u>\$ 1,452,535</u>	<u>\$ -</u>

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

**Randolph County Partnership for Children  
 Schedule of State Level Service Provider Contracts  
 For the Year Ended June 30, 2015**

**Schedule 2**

<b>Organization Name</b>	<b>DHHS Contracts</b>
Child Care Services Association	\$ 291,251
Randolph County Department of Social Services - Child Care Scholarships *	864,774
	<u>\$ 1,156,025</u>

\* 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.

**Randolph County 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
<b>Federal Awards:</b>				
United States Department of Health and Human Services Pass-through from the North Carolina Department of Health and and Human Services Division of Child Development Pass-through from Child Care Services Association Guildford Child Development, Child Care and Development Block Grant	93.575	011-14-01	\$ 11,465	\$ 11,465
U.S. Department of Education Pass-through from the North Carolina Department of Health and and Human Services Pass-through from The North Carolina Partnership for Children, Inc. Race to the Top - Early Learning Challenge (Current Year)	84.412	320-14-15-028	3,571	3,571
Race to the Top - Early Learning Challenge (Prior Year)	84.412	320-13-14-028	-	5,000
			<u>15,036</u>	<u>20,036</u>
<b>Total Federal Awards</b>			<u>15,036</u>	<u>20,036</u>
<b>State Awards:</b>				
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 (Prior Year)		N/A	(313)	(313)
Early Childhood Initiatives Program (Current Year)	*	N/A	940,124	940,124
North Carolina Department of Health and Human Services Division of Child Development and Early Education NC Pre-K (Current Year)		*	1,435,511	1,435,511
			<u>2,375,322</u>	<u>2,375,322</u>
<b>Total State Awards</b>			<u>2,375,322</u>	<u>2,375,322</u>
<b>Total Federal and State Awards</b>			<u>\$ 2,390,358</u>	<u>\$ 2,395,358</u>

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

**Randolph County Partnership for Children  
Schedule of Property and Equipment - Modified Cash Basis  
For the Year Ended June 30, 2015**

**Schedule 4**

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Furniture and Noncomputer Equipment	\$ 17,117
Computer Equipment / Printers	43,756
Buildings	<u>261,707</u>
<b>Total Property and Equipment</b>	<b><u><u>\$ 322,580</u></u></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.

**Randolph County 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	\$	239,368
In-Kind Goods and Services		<u>30,114</u>
<b>Total</b>	<b>\$</b>	<b><u>269,482</u></b>

**Match Provided at the Contractor Level:**

Cash	\$	307,752
In-Kind Goods and Services		<u>11,088</u>
<b>Total</b>	<b>\$</b>	<b><u>318,840</u></b>

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  
Randolph County Partnership for Children

Asheboro, 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 Randolph County Partnership for Children (the "Organization"), as of and for the year ended June 30, 2015, and have issued our report thereon dated October 18, 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  
October 18, 2015