

FINANCIAL STATEMENT AUDIT REPORT OF  
SMART START OF BRUNSWICK COUNTY, INC.  
SHALLOTTE, NORTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2015

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BOARD OF DIRECTORS  
POLLY RUSS, BOARD CHAIR

ADMINISTRATIVE OFFICER  
HELEN GABRIEL, EXECUTIVE DIRECTOR

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## Independent Auditor's Report

To the Board of Directors  
Smart Start of Brunswick County, Inc.  
Shalotte, North Carolina

### Report on Financial Statements

We have audited the accompanying financial statements of the Smart Start of Brunswick County, Inc., which comprise the Statement of Receipts, Expenditures, and Net Assets — Modified Cash Basis as of and for the year ended June 30, 2015, the related Statement of Functional Expenditures — Modified Cash Basis, 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 net assets of the Smart Start of Brunswick County, Inc. as of June 30, 2015, and the results of its operations for the year then ended, in accordance with the basis of accounting as described in Note 1.

## **Other Matters**

### ***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 a 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 14 and schedule 5 on page 17 are not a required part of the basic financial statements but are supplementary information required by the North Carolina Office of the State Auditor. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion or provide any assurance on schedule 2 or schedule 5.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules 1, 3, and 4, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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, that 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 December 16, 2015, on our consideration of the Smart Start of Brunswick County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, 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 Smart Start of Brunswick County, Inc.'s internal control over financial reporting and compliance.



Raleigh, North Carolina  
December 16, 2015

**Smart Start of Brunswick County, Inc.**

**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis  
As of and for the Year Ended June 30, 2015**

**Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Funds	Other Funds		
<b>Receipts:</b>				
State Awards and Contracts	\$ 636,349	\$ 1,639,395	\$ -	\$ 2,275,744
Federal Awards	-	5,572	-	5,572
Private Contributions	-	8,458	535	8,993
Special Fund Raising Events	-	3,615	-	3,615
Interest and Investment Earnings	-	12,000	-	12,000
Sales Tax Refunds	-	2,562	-	2,562
Other Receipts	-	18,823	-	18,823
<b>Total Receipts</b>	<b>636,349</b>	<b>1,690,425</b>	<b>535</b>	<b>2,327,309</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	1,416	(1,416)	-
Expiration of Time Restrictions				
	<b>636,349</b>	<b>1,691,841</b>	<b>(881)</b>	<b>2,327,309</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	182,688	10,695	-	193,383
Family Support	291,814	20,645	-	312,459
Health and Safety	17,658	2,381	-	20,039
NC Pre-K	-	1,666,629	-	1,666,629
Support:				
Management and General	99,254	8,880	-	108,134
Program Coordination and Evaluation	44,935	2,005	-	46,940
Other:				
Refund of Prior Year Grant		88		88
Sales Tax Paid	-	2,352	-	2,352
<b>Total Expenditures</b>	<b>636,349</b>	<b>1,713,675</b>	<b>-</b>	<b>2,350,024</b>
<b>Excess/Deficiency of Receipts Over Expenditures</b>	<b>-</b>	<b>(21,834)</b>	<b>(881)</b>	<b>(22,715)</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>54,266</b>	<b>1,606</b>	<b>55,872</b>
<b>Net Assets at End of Year</b>	<b>\$ -</b>	<b>\$ 32,432</b>	<b>\$ 725</b>	<b>\$ 33,157</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ -	\$ 32,432	\$ 725	\$ 33,157
Refunds Due From Contractor	507	-	-	507
	<b>507</b>	<b>32,432</b>	<b>725</b>	<b>33,664</b>
Less: Due to State	507	-	-	507
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ 32,432</b>	<b>\$ 725</b>	<b>\$ 33,157</b>

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

**Smart Start of Brunswick County, Inc.**  
**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>
<b>Smart Start Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 182,688	\$ 108,199	\$ -	\$ 8,752	\$ 17,394	\$ 22,938	\$ 2,100	\$ 23,305
Family Support	291,814	245,994	-	2,282	29,266	13,097	221	954
Health and Safety	17,658	-	-	-	-	-	-	17,658
	<u>492,160</u>	<u>354,193</u>	<u>-</u>	<u>11,034</u>	<u>46,660</u>	<u>36,035</u>	<u>2,321</u>	<u>41,917</u>
<b>Support:</b>								
Management and General	99,254	89,214	2,119	372	4,060	3,489	-	-
Program Coordination and Evaluation	44,935	38,622	-	459	2,845	2,206	803	-
	<u>144,189</u>	<u>127,836</u>	<u>2,119</u>	<u>831</u>	<u>6,905</u>	<u>5,695</u>	<u>803</u>	<u>-</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 636,349</u>	<u>\$ 482,029</u>	<u>\$ 2,119</u>	<u>\$ 11,865</u>	<u>\$ 53,565</u>	<u>\$ 41,730</u>	<u>\$ 3,124</u>	<u>\$ 41,917</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 10,695	\$ 4,372	\$ 4,930	\$ 6	\$ (8)	\$ 55	\$ 1,340	\$ -
Family Support	20,645	9,942	-	3,943	1,564	41	3,523	1,632
Health and Safety	2,381	-	-	-	-	-	-	2,381
NC Pre-K	1,666,629	87,698	-	979	3,326	3,101	-	1,571,525
	<u>1,700,350</u>	<u>102,012</u>	<u>4,930</u>	<u>4,928</u>	<u>4,882</u>	<u>3,197</u>	<u>4,863</u>	<u>1,575,538</u>
<b>Support:</b>								
Management and General	8,880	5,746	378	7	920	1,829	-	-
Program Coordination and Evaluation	2,005	1,858	-	-	147	-	-	-
	<u>10,885</u>	<u>7,604</u>	<u>378</u>	<u>7</u>	<u>1,067</u>	<u>1,829</u>	<u>-</u>	<u>-</u>
<b>Other:</b>								
Refund of Prior Year Grant	88	-	-	-	-	88	-	-
Sales Tax Paid	2,352	-	-	2,352	-	-	-	-
	<u>2,440</u>	<u>-</u>	<u>-</u>	<u>2,352</u>	<u>-</u>	<u>88</u>	<u>-</u>	<u>-</u>
<b>Total Other Funds Expenditures</b>	<u>\$ 1,713,675</u>	<u>\$ 109,616</u>	<u>\$ 5,308</u>	<u>\$ 7,287</u>	<u>\$ 5,949</u>	<u>\$ 5,114</u>	<u>\$ 4,863</u>	<u>\$ 1,575,538</u>

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

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Smart Start of Brunswick County, Inc (Brunswick Partnership) is a legally separate nonprofit organization incorporated on August 1, 1994. The Brunswick Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Brunswick 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 Brunswick Partnership's Board of Directors is responsible. Pursuant to the provisions of Financial Accounting Standards Board's accounting standards for not-for-profit entities, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by 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.

Brunswick 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- 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. **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.
- 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. **Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Brunswick Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Brunswick 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.
- H. **Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.
- I. **Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Brunswick 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.



**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

**NOTE 2 - DEPOSITS**

All funds of the Brunswick 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 Brunswick Partnership to a concentration of credit risk. At June 30, 2015, the Brunswick Partnership did not have any bank deposits not insured by FDIC.

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

**Smart Start Program** - The Brunswick 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 Brunswick Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Brunswick 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 Brunswick 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.

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

The Brunswick Partnership was awarded and has received \$636,856 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Brunswick Partnership has refunded \$507 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2015.

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

**NC Pre-K** - The Brunswick Partnership also received revenue and support from the State of North Carolina for the NC Pre-K program. The Brunswick Partnership was awarded \$1,699,354 and received \$ 1,639,902 under a current year financial assistance contract.

**Regional Child Care Resource & Referral Program (CCR&R)** - The Brunswick Partnership was awarded and has received \$5,572 under a current year CCR&R contract with Southeastern Community College. The Brunswick Partnership has expended \$5,572 of this contract as of June 30, 2015.

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

**NOTE 4 - RELATED PARTY TRANSACTIONS**

**Service Provider Contracts with Board Member Organizations** - The board members of the Brunswick Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Brunswick Partnership that board members not be involved with decisions regarding organizations they represent. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Brunswick 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:

NOTE 5 - FUNCTIONAL EXPENDITURES, CONTINUED

**A. Program Functions**

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

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

**Health and Safety** - Used to account for service activities including oral health services or comprehensive health services

**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.

**SMART START OF BRUNSWICK COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**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	\$ 4,534
2017	4,336
2018	765
Total Minimum Lease Payments	<u>\$ 9,635</u>

Rental expense for all operating leases during the year was \$35,494

**NOTE 7 - PENSION PLAN**

**Retirement Plans** - The Brunswick Partnership has a SIMPLE - IRA Plan covering all full-time employees. Each full-time employee of the Brunswick Partnership has an option to participate in the Plan. An Individual Retirement Account is provided to the employee through an outside financial institution. The Brunswick Partnership contributed 3% of gross wages for the year ended June 30, 2015; however, there were no employee contributions for the year. The Brunswick Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Brunswick Partnership contributed \$8,558 for pension benefits during the year.

**NOTE 8 - RISK MANAGEMENT**

The Brunswick 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.

**SMART START OF BRUNSWICK COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 8 - RISK MANAGEMENT, CONTINUED**

The Brunswick 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
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 Brunswick 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 Brunswick 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 \$18,849. 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>
Just Watch It Grow	<u>\$ 725</u>

**SMART START OF BRUNSWICK COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 10 - RESTRICTIONS ON NET ASSETS, CONTINUED**

**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
Just Watch It Grow	\$ 1,226
Community Leaders Early Care Education	190
	<u>\$ 1,416</u>

**NOTE 11 - INCOME TAXES**

The Brunswick 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 Brunswick Partnership does not believe there are any unrecognized tax benefits or costs as of June 30, 2015.

**NOTE 12 - SUBSEQUENT EVENTS**

The Brunswick Partnership has evaluated events and transactions that occurred between June 30, 2015 and December 16, 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.

**Smart Start of Brunswick County, Inc.**

**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>				
Brunswick Community College	\$ -	\$ -	\$ 180,375	\$ -
Child Care Network #85	-	-	37,700	-
Coastal Speech Center	18,165	507	-	-
Earth Angels Educational Center	-	-	109,525	-
For Kids Only	-	-	203,450	-
Kids Worl Academy II	-	-	151,350	-
Kids World Academy III	-	-	256,950	-
Little Sandpipers	-	-	97,800	-
Specnine	-	-	406,575	-
Tiny Tots	-	-	127,800	-
	<u>18,165</u>	<u>507</u>	<u>1,571,525</u>	<u>-</u>
<b>Individuals:</b>				
Child Care Resource & Referral	7,505	-	-	-
Just Watch it Grow	-	-	2,381	-
Parents As Teachers	121	-	1,050	-
Raising a Reader	833	-	582	-
Scholarships/Bonus Awards	15,800	-	-	-
	<u>24,259</u>	<u>-</u>	<u>4,013</u>	<u>-</u>
	<u>\$ 42,424</u>	<u>\$ 507</u>	<u>\$ 1,575,538</u>	<u>\$ -</u>

**Smart Start of Brunswick County, Inc.**  
**Schedule of State Level Service Provider Contracts**  
**For the Year Ended June 30, 2015**

**Schedule 2**

<b>Organization Name</b>	<b>DHHS Contracts</b>
* Brunswick County Department of Social Services	\$ 516,194
Child Care Services Association - WAGE\$ Program	108,562
	\$ 624,756

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

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards and Contracts.



**Smart Start of Brunswick County, Inc.**  
**Schedule of Federal and State Awards - Modified Cash Basis**  
**For the Year Ended June 30, 2015**

**Schedule 3**

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
U.S Department of Health and Human Services Pass-through from Southeastern Community College (CCR Grant)	93.575	3072-104-2	\$ 5,572	\$ 5,572
<b>Total Federal Awards</b>			<u>5,572</u>	<u>5,572</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 (Current Year)		*	636,349	636,349
North Carolina Department of Health and Human Services Division of Child Development and Early Education NC Pre-K (Current Year)		30189	1,639,902	1,639,902
NC Pre-K (Prior Year)			(507)	12,313
<b>Total State Awards</b>			<u>2,275,744</u>	<u>2,288,564</u>
<b>Total Federal and State Awards</b>			<u>\$ 2,281,316</u>	<u>\$ 2,294,136</u>

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

**Smart Start of Brunswick County, Inc.**  
**Schedule of Property and Equipment - Modified Cash Basis**  
**June 30, 2015**

**Schedule 4**

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Furniture and Noncomputer Equipment	\$ 15,455
Computer Equipment/Printers	23,229
Buildings	172,041
Leasehold Improvements	184,716
Motor Vehicles	<u>18,810</u>
<b>Total Property and Equipment</b>	<b><u><u>\$ 414,251</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 Brunswick Partnership at year end. The valuations represent historical cost. On the modified cash basis of accounting, these items are expensed in the year of purchase.

**Smart Start of Brunswick County, Inc.**  
**Schedule of Qualifying Match (Non-GAAP)**  
**For the Year Ended June 30, 2015**

**Schedule 5**

**Match Provided at the Partnership Level:**

Cash	\$ 18,833
In-Kind Goods and Services	<u>67,986</u>
	<u>\$ 86,819</u>

**Match Provided at the Contractor Level:**

Cash	<u>\$ 127,806</u>
	<u>\$ 127,806</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***

Board of Directors  
Smart Start of Brunswick County, Inc.  
Shallotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Smart Start of Brunswick County, Inc., as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Smart Start of Brunswick County, Inc.'s basic financial statements, and have issued our report thereon dated December 16, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Smart Start of Brunswick County, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Smart Start of Brunswick County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Smart Start of Brunswick County, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Smart Start of Brunswick County, Inc.'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis Decosimo, PLLC". The signature is written in a cursive, flowing style.

Raleigh, North Carolina  
December 16, 2015