FINANCIAL STATEMENT AUDIT REPORT OF

PARTNERSHIP FOR CHILDREN OF JOHNSTON COUNTY, INC.

SELMA, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2015

BOARD OF DIRECTORS

LISA BROGDON, CHAIRMAN

ADMINISTRATIVE OFFICER

DWIGHT MORRIS, EXECUTIVE DIRECTOR

Partnership for Children of Johnston County, Inc.
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June 30, 2015

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

Certified Public Accountants

CPA[SM]

America Counts on CPAs

James P. Winston II, CPA
Gary L. Williams, CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Curtis G. Van Horne, CPA
Cathy E. McKinley, CPA
Tara H. Roberson, CPA
K. Jamison Crampton, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board Members
Partnership for Children of Johnston County, Inc.
Selma, North Carolina

Report on Financial Statements

We have audited the accompanying statement of receipts, expenditures, and net assets – modified cash basis of Partnership for Children of Johnston County, Inc. 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

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www.wwcecpa.com

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 Partnership for Children of Johnston County, Inc., 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 2 on page 19 and Schedule 5 on page 22 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 and 5.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Partnership for Children of Johnston County, Inc.. 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 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 November 18, 2015, on our consideration of Partnership for Children of Johnston County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Partnership for Children of Johnston County, Inc.'s internal control over financial reporting and compliance.

Winston, Williams, Creech, Evans & Company, LLP

Oxford, North Carolina
November 18, 2015

Partnership for Children of Johnston County, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2015 *Exhibit A*

	Unrestricted Funds		Temporarily	
	Smart Start Funds	**Other Funds**	**Restricted Funds**	**Total Funds**
Receipts:				
State Awards and Contracts	$ 1,194,472	$ 1,947,856	$ -	$ 3,142,328
Federal Awards	-	101,704	-	101,704
Private Contributions	-	11,452	68,563	80,015
Special Fund Raising Events	-	4,671	-	4,671
Interest and Investment Earnings	-	349	(3,233)	(2,884)
Sales Tax Refunds	-	3,112	-	3,112
Other Receipts	-	37,110	-	37,110
Total Receipts	1,194,472	2,106,254	65,330	3,366,056
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	9,772	(9,772)	-
Expiration of Time Restrictions				-
	1,194,472	2,116,026	55,558	3,366,056
Expenditures:				
Programs:				
Child Care and Education Quality	324,000	65,417	-	389,417
Family Support	454,000	22,248	-	476,248
Health and Safety	83,214	48,338	-	131,552
NC Pre-K	35,902	1,786,218	-	1,822,120
Support:				
Fund Raising	-	5,895	-	5,895
Management and General	192,356	183,143	-	375,499
Program Coordination and Evaluation	105,000	3,195	-	108,195
Other:				
Sales Tax Paid	-	4,010	-	4,010
Total Expenditures	1,194,472	2,118,464	-	3,312,936
Excess/Deficiency of Receipts Over Expenditures	-	(2,438)	55,558	53,120
Net Assets at Beginning of Year	-	312,074	258,529	570,603
Net Assets at End of Year	$ -	$ 309,636	$ 314,087	$ 623,723
Net Assets Consisted of:				
Cash and Cash Equivalents	$ -	$ 260,033	$ 314,087	$ 574,120
Investments	-	54,237	-	54,237
	-	314,270	314,087	628,357
Less: Funds Held for Others	-	4,634	-	4,634
TOTAL NET ASSETS	$ -	$ 309,636	$ 314,087	$ 623,723

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

Partnership for Children of Johnston County, 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 Quality	$ 324,000	$ 180,405	$ 2,143	$ 18,148	$ 35,648	$ 12,836	$ 3,676	$ 71,144
Family Support	454,000	223,723	3,770	10,491	35,845	40,645	8,665	130,861
Health and Safety	83,214	42,600	41	435	2,719	1,196	509	35,714
NC Pre-K	35,902	4,486	28,393	2,855	168	-	-	-
	897,116	451,214	34,347	31,929	74,380	54,677	12,850	237,719
Support:								
Management and General	192,356	147,895	3,519	2,997	18,578	15,902	3,465	-
Program Coordination and Evaluation	105,000	81,514	10,880	2,275	5,976	3,767	588	-
	297,356	229,409	14,399	5,272	24,554	19,669	4,053	-
Total Smart Start Fund Expenditures	$ 1,194,472	$ 680,623	$ 48,746	$ 37,201	$ 98,934	$ 74,346	$ 16,903	$ 237,719
Other Funds:								
Programs:								
Child Care and Education Quality	$ 65,417	$ 43,305	$ 128	$ 5,595	$ 14,245	$ 336	$ 1,808	$ -
Family Support	22,248	2,045	12,768	211	2,036	15	1,143	4,030
Health and Safety	48,338	-	-	220	834	-	446	46,838
NC Pre-K	1,786,218	58,884	1,709	2,691	4,242	3,339	1,242	1,714,111
	1,922,221	104,234	14,605	8,717	21,357	3,690	4,639	1,764,979
Support:								
Fund Raising	5,895	-	5,525	140	151	79	-	-
Management and General	183,143	149,143	656	2,321	18,399	9,387	3,237	-
Program Coordination and Evaluation	3,195	-	3,033	76	86	-	-	-
	192,233	149,143	9,214	2,537	18,636	9,466	3,237	-
Other:								
Sales Tax Paid	4,010	-	-	4,010	-	-	-	-
	4,010	-	-	4,010	-	-	-	-
Total Other Funds Expenditures	$ 2,118,464	$ 253,377	$ 23,819	$ 15,264	$ 39,993	$ 13,156	$ 7,876	$ 1,764,979

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Partnership for Children of Johnston County, Inc. (Johnston Partnership) is a legally separate nonprofit organization incorporated on June 19, 1997. The Johnston Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Johnston 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 Johnston 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 Johnston 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. **Funds Held For Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which the Johnston Partnership acts in an agency capacity. For the year ended June 30, 2015, the Johnston Partnership was holding amounts paid to insurance agencies to be withheld from employee paychecks of $1,283 and holding amounts withheld from employee paychecks to be paid to legal providers of $216. The Johnston Partnership acts as the fiscal agent for the Johnston County Interagency Coordinating Council and Safe Kids Johnston County.

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, Johnston Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Johnston 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 Johnston Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. **Deposits -** All funds of the Johnston 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 Johnston Partnership to a concentration of credit risk. The Johnston Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investment is in the bank's government securities and is not insured by the FDIC. Consequently, the Johnston Partnership bank deposits in excess of the FDIC insured limit totaled $638,000 at June 30, 2015.

B. **Investments –** The Johnston Partnership held certificates of deposit with 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 $54,237. 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 Johnston 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 Johnston Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Johnston 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 Johnston 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 Johnston Partnership was awarded and has received $1,194,472 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Johnston Partnership has expended all awarded funds and therefore has returned none of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2015.

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

NC Pre-K - The Johnston Partnership also received revenue and support from the State of North Carolina for the NC Pre-K program. The Johnston Partnership was awarded $1,810,690 and received $1,785,764 under a current year financial assistance contract.

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

Race to the Top--Early Learning Challenge Grant – The Johnston 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 Johnston Partnership has received $89,429 in the current year for prior year awarded RTT-ELC grants.

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

NOTE 4 - RELATED PARTY TRANSACTIONS

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

B. **Other Related Parties** - The Johnston Partnership entered into transactions for contracted services with private businesses associated with a board member of the Johnston Partnership. The amount paid included:

Expenditures	Amount
NC Pre-K Mentoring Services	$ 28,902
	$ 28,902

NOTE 5 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis. Also, the Statement of Functional Expenditures – Modified Cash Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

A. **Program Functions**.

Child Care and Education Quality - Used to account for service activities including child care resource and referral and health insurance benefits for child care providers.

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

Health and Safety - Used to account for service activities including comprehensive medical home services and special needs – early intervention services/special education**.**

NC Pre-K - Used to account for development and implementation of NC Pre-K prekindergarten program for four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

B. Support Functions

Fund Raising - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

Management and General - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

Program Coordination and Evaluation - Expenditures that are incurred to coordinate the policies, procedures, 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 EXPENSE

Rental expense for all operating leases during the year was $75,169.

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans-IRC Section 401(k) Plan - The Johnston Partnership has an IRC Section 401(k) plan (Plan). All costs of administering the Plan are the responsibility of the Plan participants. The Johnston Partnership contributed up to 5% of gross wages for the year ended June 30, 2015. Employees may make voluntary contributions to the Plan. For the year ended June 30, 2015, the Johnston Partnership contributed $32,375.

NOTE 8 - RISK MANAGEMENT

The Johnston 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 Johnston 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 Johnston 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 Johnston 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 $60,585. 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
BRIDGES Program	$ 7
Buckle Up Program	132
Inclusion Park	305,611
Motheread	450
Read out and Read	7,887
	$ 314,087

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
BRIDGES Program	$ 4
Buckle Up Program	371
First 2000 Days Awareness	1,079
Inclusion Park	5,705
Parenting Training	1,000
Reach Out and Read	1,613
	$ 9,772

NOTE 11 - INCOME TAXES

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

NOTE 12 - SUBSEQUENT EVENTS

The Johnston Partnership has evaluated events and transactions that occurred between June 30, 2015 and November 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.

This information is an integral part of the financial statements.

SUPPLEMENTARY SCHEDULES

Partnership for Children of Johnston 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 Amount Advanced	Smart Start Funds Refund Due	Other Funds Amount Advanced	Other Funds Refund Due
Organizations:					
A Child's Place, Inc.		$ 500	$ -	$ -	$ -
Adventures Under the Sun Childcare, Inc.		-	-	197,275	-
Building Blocks Child Care & Development Center, Inc.	*	10,900	-	77,323	-
Child Development Schools Inc. DBA Childcare Network	*	4,839	-	482,952	-
Imagination Learning Center, Inc.		-	-	116,350	-
Johnston County Public Health Department	*	127,970	-	1	-
Johnston County Schools	*	-	-	302,096	-
Johnston-Lee-Harnett Community Action, Inc.	*	35,567	-	109,440	-
Kids Care Pediatrics - Garner		599	-	1,093	-
Kid's Country Day Care, Inc.		12,400	-	224,900	-
Kiddie Kollege of Berkshire, Inc.		1,200	-	-	-
Kiddie Kollege of Canterbury, Inc.		1,200	-	-	-
Kids First Family Child Care, Cathylina Brooks		1,180	-	-	-
Little People's Learning Center, Shelly Creech-Parrish		1,076	-	-	-
Little Stepping Stones, Inc.	*	-	-	117,000	-
Mother Goose Day Care of Clayton, Inc. DBA Toddlers Inn		1,341	-	-	-
Not Just Another Community Center		43	-	175	-
Peaches and Cream Child Care Home, Shirley Richardson		941	-	-	-
Two by Two Daycare Development Center, Inc.		-	-	86,775	-
Wake County Medical Society Community Health Foundation, Inc.		35,714	-	46,838	-
		235,470	-	1,762,218	-
Individuals:					
BRIDGES recipients		-	-	1,447	-
Buckle Up recipients		-	-	658	-
Incredible Years participants		1,564	-	-	-
Motheread participants		685	-	290	-
Outreach event participants		-	-	366	-
		2,249	-	2,761	-
		$ 237,719	$ -	$ 1,764,979	$ -

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

Partnership for Children of Johnston County, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2015 *Schedule 2*

Organization Name			DHHS Contracts
Childcare Services Association - WAGE$ Program		$	170,000
Johnston County Department of Social Services	*		1,080,423
		$	1,250,423

* These organizations are represented on the Partnership's Board as described in Note 4A - 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.

Partnership for Children of Johnston 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
Federal Awards:				
US Department of Health and Human Services				
Administration for Children and Families				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development				
Pass-through from Child Care Networks, Inc.				
Child Care and Development Block Grant	93.575	FY15-30719-004 RL13	$ 12,275	$ 12,275
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.				
Race to the Top - Early Learning Challenge Grant (Prior Year)	84.412	320: 13-14-003	55,962	46,838
US Department of Education				
Pass-through from the North Carolina Department of Health and Human Services				
Pass-through from Child Care Networks, Inc.				
Race to the Top - Early Learning Challenge Grant (Prior Year)	84.412A	CY13-27707-004 RL13	33,467	34,063
Total Federal Awards			101,704	93,176
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	*	N/A	1,194,472	1,194,472
Multi-Partnership Accounting and Contracting Grant		N/A	162,092	162,092
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
NC Pre-K	*	30172	1,785,764	1,785,764
Total State Awards			3,142,328	3,142,328
Total Federal and State Awards			$ 3,244,032	$ 3,235,504

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

Partnership for Children of Johnston County, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2015 ***Schedule 4***

Furniture and Noncomputer Equipment	$	61,410
Computer Equipment/Printers		30,724
Leasehold Improvements		3,298
Total Property and Equipment	$	95,432

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.

Partnership for Children of Johnston County, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2015 ***Schedule 5***

Match Provided at the Partnership Level:

Cash	$	38,793
In-Kind Goods and Services		81,342
	$	120,135

Match Provided at the Contractor Level:

Cash	$	301,994
In-Kind Goods and Services		7,166
	$	309,160

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

CPA[SM]

America Counts on CPAs

James P. Winston II, CPA
Gary L. Williams, CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA
Curtis G. Van Horne, CPA
Cathy E. McKinley, CPA
Tara H. Roberson, CPA
K. Jamison Crampton, CPA

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
Partnership for Children of Johnston County, Inc.
Selma, 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 Partnership for Children of Johnston County, Inc. (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 November 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Partnership for Children of Johnston County, Inc.'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 Partnership for Children of Johnston County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Partnership for Children of Johnston 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 to be material weaknesses. However, material weaknesses may exist that have not been identified.

102 W. Spring Street • P.O. Box 1366 • Oxford, NC 27565 • (919) 693-5196 • fax (919) 693-7614
www.wwcecpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Partnership for Children of Johnston County, Inc.'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
November 18, 2015