

FINANCIAL STATEMENT AUDIT REPORT OF
PARTNERSHIP FOR CHILDREN OF
LINCOLN/GASTON COUNTIES, INC.
DALLAS, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2015

BOARD OF DIRECTORS
TAMMY KANE, BOARD CHAIR

ADMINISTRATIVE OFFICER
MICHAEL LINKER, EXECUTIVE DIRECTOR

Partnership for Children of Lincoln/Gaston Counties, Inc.

Index

	<u>Page</u>
Independent Auditors' Report	3
Financial Statements	
Exhibits	
A Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis	6
B Statement of Functional Expenditures - Modified Cash Basis	7
Notes to Financial Statements	8
Supplementary Schedules	
1 Schedule of Contract and Grant Expenditures - Modified Cash Basis	18
2 Schedule of State Level Service Provider Contracts	20
3 Schedule of Federal and State Awards - Modified Cash Basis	21
4 Schedule of Property and Equipment - Modified Cash Basis	22
5 Schedule of Qualifying Match (Non-GAAP)	23
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24

Independent Auditor's Report

To Board Members of
Partnership for Children of Lincoln/Gaston Counties, Inc.
Dallas, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of Partnership for Children of Lincoln/Gaston Counties, Inc. 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 Partnership for Children of Lincoln/Gaston Counties, Inc., 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 20 and Schedule 5 on page 23 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 Partnership for Children of Lincoln/Gaston Counties, 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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2015, on our consideration of Partnership for Children of Lincoln/Gaston Counties, 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 Partnership for Children of Lincoln/Gaston Counties, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Charlotte, North Carolina
November 18, 2015

Partnership for Children of Lincoln/Gaston Counties, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2015

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards and Contracts	\$ 1,998,326	\$ 829,956	\$ 6,144	\$ 2,834,426
Federal Awards	-	23,610	15	23,625
Private Contributions	-	3,865	1,451	5,316
Special Fund Raising Events	-	5,660	-	5,660
Interest and Investment Earnings	-	237	-	237
Sales Tax Refunds	-	2,329	-	2,329
Other Income	-	2,883	-	2,883
Total Receipts	1,998,326	868,540	7,610	2,874,476
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	3,349	(3,349)	-
	1,998,326	871,889	4,261	2,874,476
Expenditures:				
Programs:				
Child Care and Education Quality	1,163,424	24,437	-	1,187,861
Family Support	232,774	2,868	-	235,642
Health and Safety	159,551	-	-	159,551
NC Pre-K	-	816,277	-	816,277
Support:				
Management and General	311,829	15,673	-	327,502
Program Coordination and Evaluation	130,748	-	-	130,748
Other:				
Refund of Prior Year Grant	-	3,419	-	3,419
Sales Tax Paid	-	1,735	-	1,735
Total Expenditures	1,998,326	864,409	-	2,862,735
Excess (Deficiency) of Receipts Over Expenditures	-	7,480	4,261	11,741
Net Assets at Beginning of Year	-	55,174	6,004	61,178
Net Assets at End of Year	\$ -	\$ 62,654	\$ 10,265	\$ 72,919
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 9,151	\$ 62,668	\$ 10,265	\$ 82,084
Refunds Due From Contractors	4,087	-	-	4,087
Employee Advances	-	7	-	7
	13,238	62,675	10,265	86,178
Less: Due to State	13,238	-	-	13,238
Funds Held for Others	-	21	-	21
Total Net Assets	\$ -	\$ 62,654	\$ 10,265	\$ 72,919

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

Partnership for Children of Lincoln/Gaston Counties, 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 Fund:								
Programs:								
Child Care and Education Quality	\$ 1,163,424	\$ 247,203	\$ -	\$ 1,656	\$ 17,351	\$ 11,011	\$ -	\$ 886,203
Family Support	232,774	77,524	240	243	6,557	4,767	-	143,443
Health and Safety	159,551	-	-	-	-	-	-	159,551
	<u>1,555,749</u>	<u>324,727</u>	<u>240</u>	<u>1,899</u>	<u>23,908</u>	<u>15,778</u>	<u>-</u>	<u>1,189,197</u>
Support:								
Management and General	311,829	239,788	16,434	5,489	19,474	27,928	2,716	-
Program Coordination	130,748	104,455	11,020	927	6,491	7,261	594	-
	<u>442,577</u>	<u>344,243</u>	<u>27,454</u>	<u>6,416</u>	<u>25,965</u>	<u>35,189</u>	<u>3,310</u>	<u>-</u>
Total Smart Start Fund Expenditures	\$ 1,998,326	\$ 668,970	\$ 27,694	\$ 8,315	\$ 49,873	\$ 50,967	\$ 3,310	\$ 1,189,197
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 24,437	\$ 21,372	\$ -	\$ 85	\$ 2,323	\$ 351	\$ -	\$ 306
Family Support	2,868	-	-	88	-	-	-	2,780
NC Pre-K	816,277	19,977	-	74	570	839	-	794,817
	<u>843,582</u>	<u>41,349</u>	<u>-</u>	<u>247</u>	<u>2,893</u>	<u>1,190</u>	<u>-</u>	<u>797,903</u>
Support:								
Management and General	15,673	19	13,780	21	120	1,215	518	-
	<u>15,673</u>	<u>19</u>	<u>13,780</u>	<u>21</u>	<u>120</u>	<u>1,215</u>	<u>518</u>	<u>-</u>
Other:								
Refund of Prior Year Grant	3,419	-	-	-	-	3,419	-	-
Sales Tax Paid	1,735	-	-	1,735	-	-	-	-
	<u>5,154</u>	<u>-</u>	<u>-</u>	<u>1,735</u>	<u>-</u>	<u>3,419</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	\$ 864,409	\$ 41,368	\$ 13,780	\$ 2,003	\$ 3,013	\$ 5,824	\$ 518	\$ 797,903

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

PARTNERSHIP FOR CHILDREN OF LINCOLN/GASTON COUNTIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - Partnership for Children of Lincoln/Gaston Counties, Inc. (Lincoln/Gaston Partnership) is a legally separate nonprofit organization incorporated on May 6, 1996. The Lincoln/Gaston Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Lincoln/Gaston 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 Lincoln/Gaston 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.

The Lincoln/Gaston 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 certificate of deposits or 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 receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- F. **Funds Held for Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which the Lincoln/Gaston Partnership acts in an agency capacity. For the year ended June 30, 2015, the Lincoln/Gaston Partnership was holding amounts withheld from employee paychecks for distribution. This included \$9 for distribution to John Hancock and \$12 for distribution to Principal Life Insurance.
- G. **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.
- H. **Employee Advances** - Employee advances includes amounts paid that are fiduciary in nature in which the Lincoln/Gaston Partnership acts in an agency capacity. For the year ended June 30, 2015, the Lincoln/Gaston Partnership had paid a quarterly life insurance premium and was awaiting deduction from the employee payroll.
- 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 Lincoln/Gaston Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this

report. The Lincoln/Gaston 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.

- 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 Lincoln/Gaston 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 Lincoln/Gaston 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 Lincoln/Gaston Partnership also benefits from donor volunteer hours which do not require specific expertise but which are nonetheless central to the Lincoln/Gaston Partnership's operations. See supplemental Schedule 5 for more information on contributions in-kind.

NOTE 2 - DEPOSITS

All funds of the Lincoln/Gaston 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 Lincoln/Gaston Partnership to a concentration of credit risk. At June 30, 2015, the Lincoln/Gaston

Partnership's bank deposits in excess of the FIDC insured limit was \$53,364.

The Lincoln/Gaston Partnership's bank accounts are with Park Sterling Bank.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

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

Associated with these contracts, the Lincoln/Gaston 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 Lincoln/Gaston 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 Lincoln/Gaston Partnership was awarded and has received \$2,011,564 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Lincoln/Gaston Partnership has refunded \$13,238 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2015.

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

Multi-Partnership Accounting and Contracting Grant - The Lincoln/Gaston Partnership was awarded and has received \$16,758 under a current year grant with the North Carolina Partnership for Children, Inc. (NCPC). The unexpended balance of this contract is subject to reversion to the State. The Lincoln/Gaston Partnership has refunded \$3,078 of this grant contract to the state based on financial status reports submitted to NCPC subsequent to June 30, 2015.

The Lincoln/Gaston Partnership expects to receive continued funding through new Smart Start grant contracts with the State.

Child Care Resource and Referral - The Lincoln/Gaston Partnership also received revenue and support from Child Care Connections of Cleveland County, Inc. for the Child Care Resource and Referral Program. The Lincoln/Gaston Partnership was awarded and received \$23,625 in federal funds under a current year cost-reimbursement contract. The unexpended balance of this contract is subject to reversion to Child Care Connections of Cleveland County, Inc. The Lincoln/Gaston Partnership has refunded \$15 of this grant contract to Child Care Connections of Cleveland County, Inc. subsequent to June 30, 2015.

The Lincoln/Gaston Partnership expects to receive continued funding through new Child Care Resource and Referral contracts with Child Care Connections of Cleveland County, Inc.

NC Pre-K - The Lincoln/Gaston Partnership also received revenue and support from the State of North Carolina for the NC Pre-K program. The Lincoln/Gaston Partnership was awarded \$833,872 and received \$819,342 under a current year financial assistance contract.

The Lincoln/Gaston Partnership expects to receive continued funding through new NC Pre-K contracts with the State. The Lincoln/Gaston Partnership has refunded \$3,066 of this grant contract to the state based on financial status reports submitted to the North Carolina Department of Child Development and Early Education subsequent to June 30, 2015.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Lincoln/Gaston Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Lincoln/Gaston Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Lincoln/Gaston 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 Lincoln/Gaston 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 Quality - Used to account for service activities including quality enhancement and maintenance, professional development and supplements, child care substitutes, provider training, mentoring programs, learning materials and teaching aids, curriculum enhancements, child care needs and resources assessments, and 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, and community outreach information and resources.

Health and Safety - Used to account for service activities including child care health consultations, health care access and support including transportation, health needs and resources assessment, 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 and utilities), property insurance, computer repair, and telephone were indirectly allocated based on utilization data.

NOTE 6 - OPERATING LEASES

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	\$ 38,218
2017	4,826
2018	<u>870</u>
Total Minimum Lease Payments	<u>\$ 43,914</u>

Rental expense for all operating leases during the year was \$43,418.

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans- IRC Section 401(k) Plan - The Lincoln/Gaston Partnership has an IRC Section 401(k) plan (Plan). All costs of administering the Plan are the responsibility of the Plan sponsor. For the year ended June 30, 2015, the Lincoln/Gaston Partnership paid \$1,974 in administrative fees. Employees may make voluntary contributions to the Plan. The Lincoln/Gaston Partnership matched employee contributions up to 2% of gross wages for the year ended June 30, 2015. In addition, the Lincoln/Gaston Partnership makes an employer base contribution of 4% of eligible employee's gross salaries. For the year ended June 30, 2015, the Lincoln/Gaston Partnership contributed \$30,446.

NOTE 8 - RISK MANAGEMENT

The Lincoln/Gaston 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 Lincoln/Gaston Partnership manages these various risks of loss as follows:

Type of Loss	Method Managed	Risk of Loss Retained
Torts, errors and omission, 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 Lincoln/Gaston 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 Lincoln/Gaston 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 \$25,243. 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
MAC Grant: MAC Accounting	\$ 3,078
NC Pre-K 14-15	3,066
Child Care Resource & Referral	15
Resource Library	2,606
Early Child Development	1,500
	\$ 10,265

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
MAC Grant: MAC Accounting	\$ 1,528
Race to the Top: Administrative	1,821
	<u>\$ 3,349</u>

NOTE 11 - INCOME TAXES

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

NOTE 12 - SUBSEQUENT EVENTS

The Lincoln/Gaston Partnership has evaluated events and transactions that occurred between June 30, 2015 and November 18, 2015 (auditor will provide this date), 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

Partnership for Children of Lincoln/Gaston Counties, 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
Organizations:				
143 Mari Care dba The Learning Express	\$ 28,587	\$ -	\$ -	\$ -
A Happy Home Child Care	500	-	-	-
A Place to Grow	30,437	-	131,950	-
A Toddler Tech University	22,159	-	-	-
All About Me Learning Center, LLC	26,225	-	-	-
Bay's Child Development	1,232	-	-	-
Bessemer City FB Child Care Ctr. Ministries	5,250	-	-	-
Bright Futures Learning Center	21,564	-	-	-
Brown's Little Shepherds	4,268	-	-	-
Carolina Kids Club, Inc.	27,928	-	-	-
Childcare Network #99	27,303	-	-	-
Childcare Network #144	45,294	-	-	-
Childcare Network #240	3,000	-	-	-
Children of Excellence	2,665	-	-	-
Cline Learning Center of Dallas	16,348	-	-	-
Cline Learning Center of Dallas # III	6,108	-	-	-
Cline Learning Center of Dallas # IV	16,901	-	-	-
Community Health Partners	45,452	-	-	-
Country Club Children's Academy	12,381	-	-	-
First Baptist Children's Ministry	29,526	-	-	-
First Baptist Church Childcare Ministries	34,027	-	-	-
First Baptist Day Care Center	15,143	-	-	-
First Presbyterian Weekday School	40,981	-	-	-
Gaston Community Action	*	-	120,240	-
Gaston County Department of Health & Human Services (Gaston County Health Department)	*	58,276	2,742	-
Gaston Learning Academy #1	14,420	-	-	-
Gina's Kidsfirst Child Development Center	19,159	-	-	-
Kenlin Academy Preschool	9,682	-	-	-
Kids Unlimited Preschool, Inc.	5,195	-	-	-
Kidz, Inc.	1,000	-	-	-
Kingdomz School of Excellence	13,027	-	-	-
Learning Land Children's Center	1,125	-	-	-
Life 4 Kidz, Inc.	37,954	-	-	-
Lincoln County Coalition Against Child Abuse	14,200	-	-	-
Lincoln County Department of Social Services	*	70,313	-	-
Lincoln County Health Department	*	58,565	-	-
Lincoln County Schools	*	-	261,827	-
Little Einsteins Preschool	694	-	306	-
Little Angel's Preschool	1,479	-	-	-
Little Hearts & Hands Preschool	2,000	-	-	-
Little Scholars University, Inc.	11,029	-	-	-
Love's Child Care	1,000	-	-	-
Love's Learning Center, Inc.	9,010	-	-	-
Mini Academy - Denver	38,779	-	117,000	-
Mrs. Peg's Care for God's Precious Gifts	2,829	-	-	-
Mrs. Phyllis Treasured Blessing Child Care	3,516	-	-	-
Ms. Brenda" Child Care Services	4,690	-	-	-
Ms. Em's Child Development Center	22,452	-	163,800	-
Ms. Janice's Day Care	4,878	-	-	-
New Hope for Kids	12,942	-	-	-
New Horizons CDC Inc.	9,391	-	-	-
North Carolina Cooperative Extension-Gaston County	*	58,775	1,345	-
Our Gang Day Care, Inc.	16,095	-	-	-
Our Kids Learning Center, Inc.	18,901	-	-	-

Partnership for Children of Lincoln/Gaston Counties, Inc.
 Schedule of Contract and Grant Expenditures - Modified Cash Basis
 For the Year Ended June 30, 2015

Schedule 1 (Continued)

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
Precious Moments #2	3,000	-	-	-
Precious Moments Childcare Center	14,019	-	-	-
Precious Times Learning Center, Inc.	27,231	-	-	-
Preschool Connection, Inc.	13,531	-	-	-
Preschool Connection Learning Academy	4,000	-	-	-
Save Our Children Youth Academy	1,000	-	-	-
Smart Kids Child Development Center	3,975	-	-	-
The Grace School Child Development Center *	29,699	-	-	-
Tiny Tot Child Development Center, Inc.	28,574	-	-	-
Toddler Time Child Care Center	23,025	-	-	-
Woods World Family Child Care	4,979	-	-	-
	<u>1,137,688</u>	<u>4,087</u>	<u>795,123</u>	<u>-</u>
Individuals:				
Non-Cash Grants (various individuals)	1,500	-	2,780	-
Individual Professional Development Program (various individuals)	54,096	-	-	-
	<u>55,596</u>	<u>-</u>	<u>2,780</u>	<u>-</u>
	<u>\$ 1,193,284</u>	<u>\$ 4,087</u>	<u>\$ 797,903</u>	<u>\$ -</u>

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

Partnership for Children of Lincoln/Gaston Counties, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2015

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association	\$ 122,125
Gaston County Department of Social Services	* 1,151,204
Lincoln County Department of Social Services	* 458,947
	<u>\$ 1,732,276</u>

- * 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.

**Partnership for Children of Lincoln/Gaston Counties, Inc.
 Schedule of Federal and State Awards - Modified Cash Basis
 For the Year Ended June 30, 2015**

Schedule 3

Federal and State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract Number	Receipts	Expenditures
Federal Awards:				
U. S. Department of Health and Human Services				
Pass through from the North Carolina Department of Health and Human Services, Division of Child Development and Early Education				
Pass-through from Child Care Connections of Cleveland County, Inc.				
Child Care and Development Block Grant	93.575	FY15-30719CRC	\$ 23,625	\$ 23,610
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: 12-13-028	-	120
Race to the Top-Early Learning Challenge Grant (Prior Year)	84.412	320: 12-13-016	-	1,821
Total Federal Awards			23,625	25,551
State Awards:				
North Carolina Department of Health and Human Services, Division of Child Development and Early Education				
Pass-through from the North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program (Current Year)	*	N/A	1,998,326	1,998,326
Multi-Partnership Accounting and Contracting Grant (Current Year)		N/A	16,758	13,680
Multi-Partnership Accounting and Contracting Grant (Prior Year)		N/A	-	1,528
North Carolina Department of Health and Human Services, Division of Child Development and Early Education				
North Carolina Pre-K (Current Year)	*	N/A	819,342	816,276
Total State Awards			2,834,426	2,829,810
Total Federal and State Awards			\$ 2,858,051	\$ 2,855,361

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

Partnership for Children of Lincoln/Gaston Counties, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2015

Schedule 4

Furniture and Noncomputer Equipment	\$ 24,913
Computer Equipment / Printers	<u>30,007</u>
Total Property and Equipment	<u>\$ 54,920</u>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year end. The valuations represent historical cost. On the modified cash basis of accounting, these items are expensed in the year of purchase.

Partnership for Children of Lincoln/Gaston Counties, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2015

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 691,610
In-Kind Goods and Services	<u>2,296</u>
Total	<u>\$ 693,906</u>

Match Provided at the Contractor Level:

Cash	\$ 8,399
In-Kind Goods and Services	<u>2,417</u>
Total	<u>\$ 10,816</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2014-100, Section 12B.9.(d). The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To Board Members of
Partnership for Children of Lincoln/Gaston Counties, Inc.

Dallas, 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 Partnership for Children of Lincoln/Gaston Counties, Inc. (the "Organization"), as of and for the year ended June 30, 2015, and have issued our report thereon dated November 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 "Cohn Reznick LLP".

Charlotte, North Carolina
November 18, 2015