

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.

RALEIGH, NORTH CAROLINA
FINANCIAL STATEMENT AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

A COMPONENT UNIT OF THE STATE OF NORTH CAROLINA



NCOSA
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
Board of Directors, The North Carolina Partnership for Children, Inc.

We have completed a financial statement audit of The North Carolina Partnership for Children, Inc. for the year ended June 30, 2015, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the ways listed in the back of this report.

A handwritten signature in cursive script that reads 'Beth A. Wood'.

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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Article V, Chapter 147 of the *North Carolina General Statutes*, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency. The Auditor also has the power to summon people to produce records and to answer questions under oath.



INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The North Carolina Partnership for Children, Inc.
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of The North Carolina Partnership for Children, Inc. (North Carolina Partnership), a component unit of the State of North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the North Carolina Partnership's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 North Carolina Partnership'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 North Carolina Partnership'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 based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of The North Carolina Partnership for Children, Inc., as of June 30, 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The supplementary schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2016 on our consideration of the North Carolina Partnership'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 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 North Carolina Partnership's internal control over financial reporting and compliance.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

April 28, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis provides an overview to assist the reader in interpreting and understanding the accompanying basic financial statements. This overview includes comparative financial analysis with discussion of significant changes from the prior year, as well as a discussion of currently known facts, decisions, and conditions. This information is provided by The North Carolina Partnership for Children, Inc.'s (North Carolina Partnership) management in conjunction with the issuance of the accompanying financial statements.

Overview of the Basic Financial Statements

The *Statement of Net Position* provides information relative to the North Carolina Partnership's assets, liabilities plus deferred inflows, and net position as of the last day of the fiscal year. Assets and liabilities on this statement are categorized as either current or noncurrent. Current assets are those that are available to pay for expenses in the next fiscal year. Current liabilities are those payable in the next fiscal year. Net position on this statement is categorized as either invested in capital assets, restricted or unrestricted. Restricted net position is categorized as either nonexpendable or expendable. Overall, the *Statement of Net Position* provides information relative to the financial strength of the North Carolina Partnership and its ability to meet current and long-term obligations.

The *Statement of Revenues, Expenses, and Changes in Net Position* provides information relative to the results of the North Carolina Partnership's operations, nonoperating activities, and other activities affecting net position that occurred during the fiscal year. Nonoperating activities include primarily subsidies from the State in the form of state aid, noncapital gifts and grants, and investment income. Other activities include capital gifts and grants. Overall the *Statement of Revenues, Expenses, and Changes in Net Position* provides information relative to the North Carolina Partnership's management of its operations and its ability to maintain its financial strength. The above statements are articulated by agreeing the ending net position balance reported on both statements.

The *Statement of Cash Flows* provides information relative to the North Carolina Partnership's sources and uses of cash funds for operating activities, noncapital financing activities, capital financing activities, and investing activities. This statement provides a reconciliation of beginning cash and cash equivalent balances to ending cash and cash equivalent balances and is representative of activity reported on the *Statement of Revenues, Expenses, and Changes in Net Position* as adjusted for changes in beginning and ending balances of noncash accounts on the *Statement of Net Position*.

The three statements described above are the basic financial statements required by the Governmental Accounting Standards Board (GASB) accounting principles. In accordance with GASB, the financial statements are presented on the North Carolina Partnership as a whole and use reporting concepts in a manner similar to that required of a business enterprise.

The *Statement of Net Position* is presented in a classified format to aid the reader in understanding the nature of its financial statement balances.

The *Notes to the Financial Statements* accompanying these financial statements are an integral part of the financial statements and should be read in conjunction with the financial statements. The *Notes to the Financial Statements* provide additional detail and explanation about the amounts reported in the financial statements.

Brief Agency Highlights

The North Carolina Partnership provides statewide oversight of North Carolina's Smart Start Early Childhood Initiative. The North Carolina Partnership has notably increased its ability to provide effective oversight of, and technical assistance to, the 76 local partnerships that provide the Smart Start services to families and children in their communities.

The North Carolina Partnership has received grants from several private organizations for assisting communities in North Carolina in the development, implementation and integration of comprehensive community-based early childhood initiatives.

Analysis of Financial Position and Results of Operations

The North Carolina Partnership's net position as of June 30, 2015 and June 30, 2014, were approximately \$1.5 million and \$1.7 million, respectively, a decrease of approximately \$200,000 during the year.

Condensed Financial Information

The following table summarizes the North Carolina Partnership's assets, liabilities and net position as of June 30, 2015 and 2014.

Condensed Statement of Net Position June 30, 2015 and 2014 (in thousands)			
	2015	2014	Percent
Assets			
Current Assets	\$ 3,444	\$ 3,168	8.7 %
Capital Assets, Depreciable, Net	147	133	10.5 %
Other Noncurrent Assets	0	521	(100.0) %
Total Assets	<u>3,591</u>	<u>3,822</u>	(6.0) %
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	0.0 %
Liabilities			
Current Liabilities	1,991	1,992	(0.1) %
Noncurrent Liabilities	<u>109</u>	<u>101</u>	7.9 %
Total Liabilities	<u>2,100</u>	<u>2,093</u>	0.3 %
Deferred Inflows of Resources	<u>22</u>	<u>0</u>	100.0 %
Net Position			
Investment in Capital Assets	147	133	10.5 %
Restricted:			
Nonexpendable	24	23	4.3 %
Expendable	12	18	(33.3) %
Unrestricted	<u>1,286</u>	<u>1,555</u>	(17.3) %
Total Net Position	<u>\$ 1,469</u>	<u>\$ 1,729</u>	(15.0) %

Assets

Current assets as of June 30, 2015, consisted primarily of cash and cash equivalents, \$543 investments, \$980 receivables, and \$132 prepaid expenses. Current assets as of June 30, 2014, consisted primarily of \$1.1 million cash and cash equivalents, \$1.1 million investments, \$890,000 receivables, and \$122,000 prepaid expenses.

Current assets increased during the fiscal year June 30, 2015, due to an increase in short-term investments for a \$521,000 certificate of deposit that was maturing within three months of the fiscal year end.

Noncurrent assets as of June 30, 2015, consisted of \$147,000 capital assets. Noncurrent assets as of June 30, 2014, consisted primarily of \$521,000 investments, and \$133,000 capital assets.

Noncurrent assets decreased during the fiscal year June 30, 2015, due to a certificate of deposit that was maturing within three months of the fiscal year end.

Liabilities

Current liabilities as of June 30, 2015, consisted primarily of \$545,000 due to the State, and \$823,000 unearned revenue. Current liabilities as of June 30, 2014, primarily consisted of \$737,000 due to the State, and \$862,000 unearned revenue.

As of June 30, 2015 and 2014, there were noncurrent liabilities that consisted entirely of accrued compensated absences.

Deferred Inflows

Deferred Inflows increased during the fiscal year June 30, 2015, due to the receipt of 401(k) employee forfeitures which were not fully vested.

Net Position

Net position invested in capital assets were \$147,000 and \$133,000 as of June 30, 2015 and 2014, respectively. Restricted nonexpendable net position of \$24,000 and \$23,000 as of June 30, 2015 and 2014, respectively, represent amounts subject to externally imposed restrictions which must be maintained in perpetuity.

Restricted expendable net position of \$12,000 and \$18,000 as of June 30, 2015 and 2014, respectively, represent amounts subject to externally imposed restrictions. Unrestricted net position of \$1.3 and \$1.6 million as of June 30, 2015 and 2014, respectively, represent amounts not subject to externally imposed stipulations, but internally designated for various activities and initiatives.

For the year ended June 30, 2015, the decrease in net position of \$260,000 is primarily attributable to the \$270,000 decrease in unrestricted funds as these were used during the year for various activities, such as implementing the fourth year of the Race to the Top initiative.

The Statement of Revenues, Expenses, and Changes in Net Position present the results of the North Carolina Partnership's operations for the report period. The following table summarizes the North Carolina Partnership's revenues, expenses, and changes in net position for the years ended June 30, 2015 and 2014.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended June 30, 2015 and 2014
(in thousands)

	2015	2014	Percent
Operating Revenues	\$ 0	\$ 0	0.0 %
Operating Expenses	(6,632)	(6,233)	6.4 %
Operating Loss	(6,632)	(6,233)	6.4 %
Nonoperating Revenues	102,642	99,123	3.6 %
Nonoperating Expenses	(96,270)	(93,378)	3.1 %
Increase (Decrease) In Net Position	(260)	(488)	(46.7) %
Net Position Beginning of Year	1,729	2,217	(22.0) %
Net Position End of Year	\$ 1,469	\$ 1,729	(15.0) %

Nonoperating Revenues

For the fiscal year ended June 30, 2015, nonoperating revenues totaled \$102.6 million, of which state aid was \$98.3 million. For the fiscal year ended June 30, 2014, nonoperating revenues totaled \$99.1 million, of which state aid was \$95.6 million.

Private contributions earned were \$1.1 million and \$1.1 million as of June 30, 2015 and 2014, respectively. Major contributors for 2015 were the Blue Cross Blue Shield of North Carolina Foundation, \$890,000, and the Z. Smith Reynolds Foundation, \$59,000.

Additionally, the North Carolina Partnership received federal funds of \$3.0 million for the Early Learning Challenge grant.

The following table summarizes the North Carolina Partnership's expenses (operating and nonoperating) for the reporting periods.

Operating and Nonoperating Expenses
For the Fiscal Years Ended June 30, 2015 and 2014
(in thousands)

	2015	2014	Percent Change
Operating Expenses:			
Salaries and Benefits	\$ 3,742	\$ 3,788	(1.2) %
Contracted Services	1,872	1,434	30.5 %
Other Operating Expenses	966	963	0.3 %
Depreciation	52	48	8.3 %
Total Operating Expense	\$ 6,632	\$ 6,233	6.4 %
Nonoperating Expenses:			
Contract/Grant Expense	\$ 96,270	\$ 93,378	3.1 %
Total Nonoperating Expense	\$ 96,270	\$ 93,378	3.1 %

Much of the North Carolina Partnership's activities are identified as nonoperating, with state aid its primary source of funding. The North Carolina Partnership provides oversight and funding to a network of Smart Start organizations across the State, resulting in significant grant disbursements.

Contracted services increased from prior year. The increase was due to an increase in State Aid funding which enabled the North Carolina Partnership to expand existing activities.

Economic Factors That Will Affect the Future

The three main factors that impact the economic outlook for the North Carolina Partnership are private contributions as well as federal and state aid.

The North Carolina Partnership actively seeks private gifts to support the mission of the Smart Start initiative. For the fiscal year ended June 30, 2015, private contributions were consistent with fiscal year ended June 30, 2014. It is anticipated that the state of the economy will improve for the fiscal year ending June 30, 2016 and possibly beyond.



FINANCIAL STATEMENTS

The North Carolina Partnership for Children, Inc.
Statement of Net Position
June 30, 2015

Exhibit A

ASSETS

Current Assets:	
Cash and Cash Equivalents	\$ 932,788
Restricted Cash and Cash Equivalents	855,382
Short-Term Investments	521,271
Restricted Short-Term Investments	22,015
Receivables:	
Accounts Receivable (Note 3)	455,634
Federal Aid Receivable (Note 3)	518,552
Pledges Receivable (Note 3)	6,094
Prepaid Items	132,028
Total Current Assets	3,443,764
Noncurrent Assets:	
Capital Assets - Depreciable, Net (Note 4)	147,020
Total Noncurrent Assets	147,020
Total Assets	3,590,784

DEFERRED OUTFLOWS OF RESOURCES

Total Deferred Outflows of Resources	0
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LIABILITIES

Current Liabilities:	
Accounts Payable	489,565
Accrued Payroll	90,845
Compensated Absences (Note 5)	41,837
Due to State	545,188
Unearned Revenue	823,341
Total Current Liabilities	1,990,776
Noncurrent Liabilities:	
Compensated Absences (Note 5)	108,924
Total Noncurrent Liabilities	108,924
Total Liabilities	2,099,700

DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows Related to Pensions	22,015
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NET POSITION

Investment in Capital Assets	147,020
Restricted for:	
Nonexpendable:	
Annual Recognition Award	24,000
Expendable:	
Specific Child Care Related Activities	12,514
Unrestricted	1,285,535
Total Net Position	\$ 1,469,069

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

**The North Carolina Partnership for Children, Inc.
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2015**

Exhibit B

OPERATING REVENUES	\$	<u>0</u>
OPERATING EXPENSES		
Operating Expenses:		
Salaries and Benefits		3,741,929
Contracted Services		1,871,595
Supplies and Materials		56,528
Other Operating Expenses		481,691
Fixed Charges and Other Expenses		382,584
Purchase of Noncapitalized Equipment		45,241
Depreciation		<u>52,291</u>
Total Operating Expenses		<u>6,631,859</u>
Operating Loss		<u>(6,631,859)</u>
NONOPERATING REVENUES (EXPENSES)		
State Aid		98,273,362
Federal Aid		3,005,598
Investment Income		544
Private Contributions		1,139,936
Miscellaneous		221,911
Contract/Grant Expense		<u>(96,269,884)</u>
Net Nonoperating Revenues (Expenses)		<u>6,371,467</u>
Decrease in Net Position		(260,392)
NET POSITION		
Net Position, July 1, 2014		<u>1,729,461</u>
Net Position, June 30, 2015	\$	<u><u>1,469,069</u></u>

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

The North Carolina Partnership for Children, Inc.
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to Employees and Fringe Benefits	\$ (3,716,056)
Payments to Vendors and Suppliers	(2,569,429)
	<hr/>
Cash Used by Operating Activities	(6,285,485)
	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Aid Received	98,081,294
Grants to Local Partnerships and Other Organizations	(96,143,927)
Federal Aid Received	2,793,987
Private Contributions	1,096,838
Related Activity Agency Disbursements	(65,585)
Other Receipts (Payments)	221,911
	<hr/>
Net Cash Provided by Noncapital Financing Activities	5,984,518
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of Capital Assets	(66,411)
	<hr/>
Cash Used by Capital and Related Financing Activities	(66,411)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,100,625
Investment Income	23
	<hr/>
Cash Provided by Investing Activities	1,100,648
	<hr/>
Net Increase in Cash and Cash Equivalents	733,270
Cash and Cash Equivalents, July 1, 2014	1,054,900
	<hr/>
Cash and Cash Equivalents, June 30, 2015	<u>\$ 1,788,170</u>
RECONCILIATION OF OPERATING LOSS TO CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (6,631,859)
Adjustments to Reconcile Operating Loss to Cash Used by Operating Activities:	
Depreciation Expense	52,291
Changes in Assets and Liabilities:	
Accounts Receivable	61
Prepaid Items	(9,677)
Accounts Payable	277,826
Accrued Payroll	13,598
Compensated Absences	12,275
	<hr/>
Cash Used by Operating Activities	<u>\$ (6,285,485)</u>
	<hr/>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Current Assets:	
Cash and Cash Equivalents	\$ 932,788
Restricted Cash and Cash Equivalents	855,382
	<hr/>
Total Cash and Cash Equivalents, June 30, 2015	<u>\$ 1,788,170</u>

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



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The North Carolina Partnership for Children, Inc. (North Carolina Partnership) is a legally separate nonprofit organization incorporated on March 31, 1993. The North Carolina Partnership provides technical assistance and training for local Smart Start partnerships (currently 76) in the areas of program development, administration, organizational development, communication, financial management, technology, contracts management, and fundraising. The North Carolina Partnership adheres to a comprehensive accountability plan to ensure programs, services, and funds reach the children and families of North Carolina. The North Carolina Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.
- B. Financial Reporting Entity** - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The North Carolina Partnership for Children, Inc. is a component unit of the State of North Carolina and an integral part of the State's *Comprehensive Annual Financial Report (CAFR)*.

Component units are legally separate entities for which the State is financially accountable. Accountability is defined as the State's substantive appointment of a majority of the component unit's governing board. Furthermore, to be financially accountable, the State must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific benefits to, or impose specific financial burdens on, the State. Financial accountability also exists when an organization is fiscally dependent upon the State.

As required by *General Statute* 143B-168.12, certain elected State officials appoint twenty-two of the North Carolina Partnership's board members, while four board members serve *ex-officio* by virtue of their State positions. The State provides significant operating subsidies to the North Carolina Partnership creating a benefit/burden relationship.

Because of the State's appointment of the board and the benefit/burden relationship, the North Carolina Partnership is a component unit of the State of North Carolina and the North Carolina Partnership's financial statements are included in the State's CAFR.

The accompanying financial statements present all funds for which the North Carolina Partnership's Board of Directors is responsible.

- C. Basis of Presentation** - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, governmental not-for-profit entities that reported as of June 30, 1999, using the American Institute of Certified Public Accountants Statement of Position 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, may report as special-purpose governments engaged only in business-type activities. As such, the full scope of the North Carolina Partnership's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

- D. Basis of Accounting** - The financial statements of the North Carolina Partnership have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the North Carolina Partnership receives (or gives) value without directly giving (or receiving) equal value in exchange, include state aid, certain grants, and donations. Revenues are recognized as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- E. Cash and Cash Equivalents** - This classification includes cash on hand, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the Short-Term Investment Fund (STIF). The STIF maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdrawal cash at any time without prior notice or penalty.
- F. Investments** - This classification includes money market mutual fund and nonnegotiable certificates of deposit with original maturities of less than three months. The money market mutual funds are accounted for at fair value, as determined by share price. The certificates of deposit are reported at cost, if purchased, or at fair market value or appraised value at the date of gift, if donated.
- G. Receivables** - Receivables consist of unexpended grant amounts due from local partnerships, amounts due from the State, and amounts due from the federal awarding agency. Receivables also include amounts due from private pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are shown at book value with no provision for doubtful accounts considered necessary.

H. Prepaid Expenses - The North Carolina Partnership records expenses allocable to future periods as prepaid expenses.

I. Capital Assets - Capital assets are recorded at cost at date of acquisition or fair market value at date of donation in the case of gifts.

The North Carolina Partnership capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an expected useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 3 to 7 years for equipment.

J. Restricted Assets - Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources whose use is limited by external parties or statute, and endowment and other restricted investments. The endowment fund of \$24,000 is included in the amount of deposits with private financial institutions.

K. Due to the State - The Smart Start program's funding from the State of North Carolina is recognized as revenue to the extent that allowable costs have been incurred. Any unexpended funds as of June 30 are required to be reverted to the State.

L. Noncurrent Long-Term Liabilities - Noncurrent long-term liabilities consist of compensated absences that will not be paid within the next fiscal year.

M. Compensated Absences - The North Carolina Partnership's policy is to record the cost of paid time off (PTO) when earned. Unused PTO can be accrued and carried forward from one year to the next. However, no more than 80 hours can be carried forward into the new calendar year. PTO in excess of 80 hours at the end of the calendar year is converted into Family Leave. When classifying compensated absences into current and noncurrent, leave is considered taken on a last-in, first-out (LIFO) method. Any unused PTO is not paid to the employee upon termination of employment.

The North Carolina Partnership has the policy of recording the cost of family leave when taken and paid rather than when the leave is earned. Family leave must be taken in five whole day increments and is available only to employees who have exhausted their PTO balances and are eligible for Family and Medical Leave Act protection. The policy provides for unlimited accumulation of family leave, but the employee cannot be compensated for any unused family leave upon termination of employment.

The North Carolina Partnership recognizes three separate employment types, distinguished by the expected duration of employment and the number of hours regularly worked each week. The three categories are: Full-Time with Full Benefits, Full-Time Temporary with Partial Benefits, and Part-Time with Partial Benefits. Each employment type provides for different eligibility levels of benefits. These employment types do not alter the employment-at-will doctrine and, therefore, do not guarantee employment for any specified period of time. Benefits are subject to change from time to time, and may be reduced, modified, or terminated at the discretion of the North Carolina Partnership.

- N. Net Position** - The North Carolina Partnership's net position is classified as follows:

Investment in Capital Assets - This represents the North Carolina Partnership's total investment in capital assets.

Restricted Net Position - Nonexpendable - Nonexpendable restricted net position consists of an endowment for which the use is limited by the donors or other outside sources. As a condition of the gift, the principal is generally not distributed, thus building a permanent and growing support for the endowment objective. However, it is the wish of the donor that an amount of \$1,000 be made annually, even if the principal must be utilized. Any expenditure of principal must be approved by the Trustees of the endowment.

Restricted Net Position - Expendable - Expendable restricted net position includes resources in which the North Carolina Partnership is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position - Unrestricted net position includes resources derived from unrestricted gifts and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based on management decision. Both restricted and unrestricted net position include consideration of deferred outflows and inflows of resources.

- O. Revenue and Expense Recognition** - The North Carolina Partnership classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the North Carolina Partnership's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions. Operating expenses are

all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state aid that represent subsidies or gifts to the North Carolina Partnership, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** - The North Carolina Partnership is required by *North Carolina General Statute 147-77* to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the North Carolina Partnership, other than those required to be deposited with the State Treasurer, are deposited in board-designated depositories or brokerage firms. The amount shown on the Statement of Net Position as cash and cash equivalents includes cash on hand totaling \$250, deposits in private financial institutions with a carrying value of \$1,700,153 and a bank balance of \$2,183,502 and deposits held by the State Treasurer totaling \$87,767.

At June 30, 2015, the amount shown on the Statement of Net Position as cash and cash equivalents includes \$87,767, which represents the North Carolina Partnership's equity position in the State Treasurer's Short-Term Investment Fund (STIF). The STIF (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission or subject to any other regulatory oversight and does not have a credit rating) had a weighted average maturity of 1.5 years as of June 30, 2015. Assets and shares of the STIF are valued at amortized cost, which approximates fair value. Deposit and investment risks associated with the State Treasurer's Investment Pool (which includes the State Treasurer's STIF) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.osc.nc.gov/> and clicking on "Reports" or by calling the State Controller's Financial Reporting Section at (919) 707-0500.

Custodial credit risk is the risk that in the event of a bank failure, the North Carolina Partnership's deposits may not be returned to it. The North Carolina Partnership does not have a deposit policy for custodial credit risk. The North Carolina Partnership's deposits with each

commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2015, the North Carolina Partnership's bank balance in excess of the FDIC insured limit totaled \$1,933,502.

- B. Investments** – There are no legal limitations on the types of investments by the North Carolina Partnership. The North Carolina Partnership has adopted formal investment policies to establish investment objectives, standards of prudence, eligible investments, and safekeeping and custodial procedures necessary for the prudent management of the private funds maintained by the North Carolina Partnership.

The North Carolina Partnership is subject to the following risks:

Interest Rate Risk: Interest rate risk is the risk the North Carolina Partnership may face should interest rate variances affect the fair value of investments. In accordance with its investment policy, the North Carolina Partnership manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. For its two major investment types, certificates of deposit maturities may not exceed 36 months and money market mutual funds must have maturities of 90 days or less.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The North Carolina Partnership manages credit risk by diversifying its investment portfolio. Investments are limited to: U.S. Treasury Obligations; Obligations of the State of North Carolina; Time Deposits, Certificates of Deposit, and Savings Accounts; No-Load Money Market Funds; No-Load Money Market Mutual Funds; U.S. Agency Securities; Bankers' Acceptances; Commercial Paper; Investment Grade Bonds; High-Quality Stocks; and Exchange-Traded Funds. Policy also further limits the composition of the above investment types as to the total investment portfolio.

The following table presents the fair value of investments by type and investments subject to interest rate risk and credit risk at June 30, 2015, for the North Carolina Partnership's investments.

Investment Type	Properties of Debt Securities		
	Fair Value	Weighted Average Maturities	Rating
Debt Securities			
Money Market Trust Retirement	\$ 22,015	54 days	Unrated
Other Securities			
Certificates of Deposit	521,271		
Total Investments	\$ 543,286		

The certificate of deposit held by a private financial institution is insured by the FDIC. However, the North Carolina Partnership cash deposits at the same financial institution exceed the FDIC insured limit as shown in Note 2A Deposits. The money market held by a private financial institution is not insured by the FDIC. At June 30, 2015, the North Carolina Partnership's investment deposits in excess of the FDIC insured limit totaled \$521,271.

C. Reconciliation of Deposits and Investments - A reconciliation of deposits and investments for the North Carolina Partnership to the basic financial statements as of June 30, 2015, is as follows:

Cash on Hand	\$ 250
Carrying Amount of Deposits with Private Financial Institutions	1,700,153
Investments in the Short-Term Investment Fund	87,767
Money Market Trust Retirement	22,015
Investment in Certificate of Deposit	<u>521,271</u>
Total Deposits and Investments	<u>\$ 2,331,456</u>
Deposits	
Current:	
Cash and Cash Equivalents	\$ 932,788
Restricted Cash and Cash Equivalents	<u>855,382</u>
Total Deposits	<u>1,788,170</u>
Investments	
Current:	
Short-Term Investments	521,271
Restricted Short-Term Investments	<u>22,015</u>
Total Investments	<u>543,286</u>
Total Deposits and Investments	<u>\$ 2,331,456</u>

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, were as follows:

A. Accounts Receivable - The gross accounts receivable were:

	<u>Gross Receivables</u>
Accounts Receivables:	
Due from Local Partnerships	\$ 429,461
Interest Receivables	674
Sales Tax Receivables	22,821
Other Receivables	<u>2,678</u>
Total Accounts Receivables	<u>\$ 455,634</u>

The North Carolina Partnership expects to collect these receivables.

B. Federal Aid Receivable - The North Carolina Partnership has federal aid receivables in the amount of \$518,552 that are collectible in the fiscal year ending June 30, 2016. The receivables represent reimbursement for the Race to the Top - Early Learning Challenge Grant.

C. Pledges Receivable - The North Carolina Partnership has pledges receivable in the amount of \$6,094 that are collectible in the fiscal year ending June 30, 2016. Due to the nature of the donor organizations, the North Carolina Partnership considers these pledges to be collectible.

NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2015 is presented as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital Assets, Depreciable:				
Machinery and Equipment	\$ 505,836	\$ 66,411	\$ 0	\$ 572,247
Less Accumulated Depreciation	372,936	52,291		425,227
Total Capital Assets, Depreciable, Net	<u>\$ 132,900</u>	<u>\$ 14,120</u>	<u>\$ 0</u>	<u>\$ 147,020</u>

NOTE 5 - LONG-TERM LIABILITIES

A summary of changes in the long-term liabilities for the year ended June 30, 2015, is presented as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Compensated Absences	<u>\$ 138,486</u>	<u>\$ 273,258</u>	<u>\$ 260,983</u>	<u>\$ 150,761</u>	<u>\$ 41,837</u>

NOTE 6 - OPERATING LEASE OBLIGATIONS

The North Carolina Partnership entered into operating leases for office rent. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2015:

Fiscal Year	Amount
2016	\$ 317,695
2017	325,637
2018	333,778
2019	342,123
2020	350,676
2021-2025	<u>1,821,848</u>
Total Minimum Lease Payments	<u>\$ 3,491,757</u>

The North Carolina Partnership has the right to extend the term of the operating lease for office rent for one additional, consecutive, uninterrupted term of ten years commencing on May 1, 2025.

Rental expense for all operating leases during the year was \$318,142.

NOTE 7 - OPERATING EXPENSES BY FUNCTION

The costs of providing the various programs and activities have been presented by their natural classification in the *Statement of Revenues, Expenses, and Changes in Net Position*. Schedule 1, accompanying the financial statements, provides a summarization of those expenses by their functional categories for the fiscal year. Following are the functional categories and the services associated with those functions:

A. Program Functions

Comprehensive Training Events - Expenses that are incurred in the provision of training events that foster an understanding of comprehensive early childhood service delivery and best practices in multiple functional areas. Participants may include state and local partnership board members, staff and committee members, direct service providers, early childhood leaders and professionals, and others involved in the development of various facets of a comprehensive early childhood delivery system.

Early Learning Challenge Grant - Federally funded initiative to reduce disparities in school readiness among children with high needs and their peers. Priorities are:

- Leadership program designed to facilitate effective local community leadership that increases schooled readiness for children with high needs;
- Expanded developmental screening and referrals for children from birth to five;
- Increased access to high-quality child care health consultants who improve health, nutrition, and safety practices in child care facilities;
- Faith summit designed to engage faith leaders as early child champions;
- Community development initiative in four rural, high poverty counties selected to be part of a transformation zone that combines evidence-based programs and infrastructure development strategies;
- Early literacy project in the transformation zone; and

- A data project to support a longitudinal statewide data system that tracks outcomes and measures progress in reducing disparities among children with high needs and their peers.

Finance - Responsible for the oversight of the accounting, financial reporting, and contracting functions for the local partnerships and the North Carolina Partnership. Also responsible for the provision of technical assistance and training to the local partnerships.

Financial Services - Responsible for performing financial monitoring of, and providing technical assistance and training to, the local partnerships.

Local Partnership Administration - Grants distributed to local partnerships for administering the Smart Start program on the local level.

Local Partnership Services - Grants distributed to local partnerships to perform direct services activities for the Smart Start program on the local level.

Organizational Development - Privately funded programs to provide technical assistance, resources and support necessary to enhance the organizational capacity of the North Carolina Partnership and local partnerships to help ensure long-term success and sustainability as nonprofit organizations. Priorities are increased diversity and inclusion, strengthened governance and executive leadership, deepened grassroots community engagement and advocacy, and increased diversification of funding sources.

Other Private Awards - Privately funded programs to assist communities in the development, implementation or integration of targeted or comprehensive community-based early childhood initiatives.

Program and Evaluation - Responsible for the approval of local partnership strategic plans and activities as well as performing programmatic monitoring of and technical assistance and training to the local partnerships. Responsible for building the program capacity of local partnerships and facilitating the development and implementation of coordinated state-level systems of service. Also responsible for research and evaluation refining and guiding the Smart Start system work.

Public Information - Provision of outreach materials and technical assistance to local partnerships in the areas of crisis communication, media relations, desktop publishing, and special event planning.

Regional Accounting (MAC) - Used to account for costs associated with the implementation and support of the Multi-Partnership Accounting and Contracting (MAC) plan. Costs include personnel, telecommunications systems, software, equipment, and supplies related to the support for the MAC sites.

Shape NC - Privately funded program to improve the health of young children, ages birth to five and child care workers through a comprehensive statewide strategy of comprehensive coordinated early childhood obesity prevention outreach, and technical assistance that will address change at the individual, programmatic, environmental and policy levels.

Technology - Provision of technical assistance and training to the North Carolina Partnership and to the local partnership staff. Technical assistance is provided in areas of selecting hardware, software, and acquiring outside consultants for training.

B. Support Functions

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

Contracts - Responsible for establishing and maintaining funding contracts with the local partnerships for (1) administrative costs; and (2) direct service activities related to services to children and families. Also provide technical assistance to local partnerships on the use of the North Carolina Partnership's contracts system.

Development - Expenses that are incurred to induce others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

Fiscal - Responsible for maintaining the financial records and processing payments and receipts for the North Carolina Partnership. Also, responsible for developing and implementing proper accounting policies and procedures.

Human Resources - Responsible for the administration of personnel related services and functions, including employee relations, recruiting, compensation and benefits, job descriptions, performance management, maintenance of employee records, and compliance with employment regulations.

NOTE 8 - PENSION PLAN

Defined Contribution Plan

Plan Administration: The North Carolina Partnership provides and administers the North Carolina Partnership for Children, Inc. Retirement Plan (Plan), which is a defined contribution plan, created under Internal Revenue Code Section 401(k). The Plan is open to all employees who have attained the age of 18 and have at least three months service.

Benefits Provided: The Plan provides distribution of benefits to participant's who have reached retirement, become disabled, or the designated beneficiary upon a participant's death. Participants in the Plan are immediately vested in the value of employee contributions. The value of employer contributions is vested 25%, 50%, and 100% after one year, two years, and three years of participation respectively. If a participant's employment is terminated prior to becoming 100% vested in the employer contributions then the amount is forfeited by the participant. The pension forfeitures are held in a short-term money market trust retirement account until application towards restricted purposes outlined in the Basic Plan Document.

Contributions: Participant, eligibility, and contributory requirements are established by the North Carolina Partnership. Participants choose to contribute a dollar or percentage of their wage not to exceed the federal limit. The North Carolina Partnership makes a safe-harbor contribution to the Plan each year equal to 3% of the participants' compensation and may make additional discretionary employer contributions. For the year ended June 30, 2015, the North Carolina Partnership's Plan contributions and pension expense were \$197,034. The North Carolina Partnership assumes no liability other than its contribution.

Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pensions: At June 30, 2015, the North Carolina Partnership reported deferred inflows of resources related to pension forfeitures that will be used within the next year.

NOTE 9 - RISK MANAGEMENT

The North Carolina Partnership is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including purchase of commercial insurance and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

Fire, coverage for other property losses, and vehicular liability insurance are covered by contracts with private insurance companies.

The North Carolina Partnership is protected for losses from employee dishonesty and computer fraud for employees. The blanket honesty bond is with a private insurance company with coverage of \$250,000 per occurrence and a \$1,000 deductible.

Employees are provided health care coverage by Blue Cross Blue Shield of North Carolina. The Plan is funded by employer and employee contributions and is administered by a third party contractor.

The North Carolina Partnership makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act by purchasing workers' compensation insurance for employees through a private insurance company.

NOTE 10 - RELATED PARTIES

Local Partnership Contracts with Board Member Organizations - The board members of the North Carolina Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the North Carolina Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the North Carolina Partnership entered into contracts with board member organizations for local partnership activities as identified on Schedule 2 accompanying the financial statements.

NOTE 11 - COMMITMENTS

The North Carolina Partnership has outstanding commitments on cost-reimbursement contracts totaling \$3,874,372 as of June 30, 2015.



SUPPLEMENTARY INFORMATION

The North Carolina Partnership for Children, Inc.
Schedule of Functional Expenses
For the Fiscal Year Ended June 30, 2015

Schedule 1

	Total	Salaries and Benefits	Contracted Services	Supplies and Materials	Other Operating Expenses	Fixed Charges and Other Expenses	Noncapitalized Equipment/Depreciation	Contract/Grant Expense
Programs:								
Comprehensive Training Events	\$ 397,119	\$ 60,953	\$ 139,896	\$ 23	\$ 189,035	\$ 6,912	\$ 0	\$ 300
Early Learning Challenge Grant	3,160,959	816,920	970,132	1,088	56,402	39,975	1,402	1,275,040
Finance	551,862	170,036	379,325		1,128	1,373		
Financial Services	243,462	224,190			19,002	270		
Local Partnership Administration	11,301,406							11,301,406
Local Partnership Services	81,958,629							81,958,629
Organizational Development	118,263	105,313	9,425	44	2,320	161		1,000
Other Private Awards	5,116		5,000		116			
Program and Evaluation	732,419	641,331	45,309		10,523	565		34,691
Public Information	265,793	194,139	66,751		3,834	1,069		
Regional Accounting (MAC)	1,409,161	325,028		17,864	86,438	119	2,734	976,978
Shape NC	1,056,997	130,207	197,062		7,834	54		721,840
Technology	300,143	176,157	15,887	16,103	39,877	19,624	32,495	
	<u>101,501,329</u>	<u>2,844,274</u>	<u>1,828,787</u>	<u>35,122</u>	<u>416,509</u>	<u>70,122</u>	<u>36,631</u>	<u>96,269,884</u>
Support:								
Administration	1,081,917	609,532	19,678	21,406	61,134	309,266	60,901	
Contracts	96,963	96,679			284			
Development	50					50		
Fiscal	172,284	150,641	21,082		561			
Human Resources	49,200	40,803	2,048		3,203	3,146		
	<u>1,400,414</u>	<u>897,655</u>	<u>42,808</u>	<u>21,406</u>	<u>65,182</u>	<u>312,462</u>	<u>60,901</u>	<u>0</u>
Total Expenditures	<u>\$ 102,901,743</u>	<u>\$ 3,741,929</u>	<u>\$ 1,871,595</u>	<u>\$ 56,528</u>	<u>\$ 481,691</u>	<u>\$ 382,584</u>	<u>\$ 97,532</u>	<u>\$ 96,269,884</u>

The North Carolina Partnership for Children, Inc.
Schedule of Contract and Grant Expenses
For the Fiscal Year Ended June 30, 2015

Schedule 2
Page 1 of 3

Organization Name	Gross Amount Expended	Refund Due	Net Amount Expended
Alamance Partnership for Children	\$ 870,003	\$ 0	\$ 870,003
Albemarle Smart Start Partnership, Inc.	1,811,135	(29,487)	1,781,648
Alexander County Partnership for Children	352,814	(1,969)	350,845
Alleghany Partnership for Children, Inc.	126,253		126,253
Alliance for Children	1,366,019	(1,416)	1,364,603
Anson County Partnership for Children	381,791		381,791
Ashe County Partnership for Children	300,414		300,414
Avery County Smart Start: A Partnership for Children	194,713	(563)	194,150
Beaufort/Hyde Partnership for Children	607,554	(409)	607,145
Bladen Smart Start: A Partnership for Children, Inc.	355,789		355,789
Buncombe County Partnership for Children, Inc.	* 1,711,338	(332)	1,711,006
Burke County Smart Start, Inc.	1,199,278	(2,233)	1,197,045
Cabarrus County Partnership for Children	2,171,002	(5,786)	2,165,216
Caldwell County Smart Start A Partnership for Young Children	813,948	(259)	813,689
Carteret County Partnership for Children	* 662,049		662,049
Caswell County Partnership for Children	235,121	(2,284)	232,837
Catawba County Partnership for Children	1,478,786	(5,138)	1,473,648
Chatham County Partnership for Children	740,627	(5,082)	735,545
Children & Youth Partnership for Dare County, Inc.	320,859		320,859
Children's Council of Watauga County, Inc.	247,784		247,784
Cleveland County Partnership for Children, Inc.	* 967,097	(2,345)	964,752
Columbus County Partnership for Children, Incorporated	447,997	(2,035)	445,962
Craven Smart Start, Inc.	* 1,005,313	(4,774)	1,000,539
Down East Partnership for Children	2,492,482	(34,617)	2,457,865
Duplin County Partnership for Children	1,114,307	(3,792)	1,110,515
Durham's Partnership for Children	5,061,785		5,061,785
Franklin Granville Vance Smart Start, Inc.	1,458,831	(17,747)	1,441,084
Guilford County Partnership for Children, Inc.	3,131,199	(69,318)	3,061,881
Harnett County Partnership for Children, Inc.	889,142	(14,739)	874,403
Hertford-Northampton Smart Start Partnership for Children, Inc.	479,122		479,122
Hoke County Partnership for Children and Families	777,331		777,331
Iredell County Partnership for Young Children, Inc.	1,239,541	(11,870)	1,227,671
Jones County Partnership for Children	218,291		218,291
Lee County Partnership for Children	1,002,515	(617)	1,001,898
Lenoir/Greene County Partnership for Children	1,598,697	(15,653)	1,583,044
Madison County Partnership for Children and Families, Inc.	263,632	(802)	262,830
Martin/Pitt Partnership for Children, Inc.	1,390,366	(32,912)	1,357,454

The North Carolina Partnership for Children, Inc.
Schedule of Contract and Grant Expenses
For the Fiscal Year Ended June 30, 2015

Schedule 2
Page 2 of 3

Organization Name	Gross Amount Expended	Refund Due	Net Amount Expended
Mecklenburg Partnership for Children	7,511,272	(1,848)	7,509,424
Montgomery County Partnership for Children	470,778		470,778
Onslow County Partnership for Children, Inc.	4,389,199		4,389,199
Orange County Partnership for Young Children	1,096,559	*	1,096,559
Pamlico Partnership for Children, Inc.	132,807		132,807
Partners for Children and Families, Inc.	921,791		921,791
Partnership for Children of Cumberland County, Inc.	3,978,384	(918)	3,977,466
Partnership for Children of Johnston County, Inc.	1,403,402		1,403,402
Partnership for Children of Lincoln/Gaston Counties, Inc.	2,026,448	(16,316)	2,010,132
Partnership for Children of the Foothills	1,033,162	(20,213)	1,012,949
Person County Partnership for Children	439,071	(1,455)	437,616
Randolph County Partnership for Children	1,093,337	(14,863)	1,078,474
Region A Partnership for Children	1,217,110	(538)	1,216,572
Richmond County Partnership for Children	742,516	(57)	742,459
Robeson County Partnership for Children	1,576,928	(10,415)	1,566,513
Rockingham County Partnership for Children, Inc.	706,479		706,479
Sampson County Partnership for Children	1,029,873	(3)	1,029,870
Scotland County Partnership for Children and Families, Inc.	392,406	(17)	392,389
Smart Start of Brunswick County, Inc.	636,856	(507)	636,349
Smart Start of Davidson County, Inc.	2,645,808		2,645,808
Smart Start of Davie County, Inc.	287,919	(78)	287,841
Smart Start of Forsyth County	4,366,691	(516)	4,366,175
Smart Start of Henderson County, Inc.	733,676		733,676
Smart Start of New Hanover County	1,434,581		1,434,581
Smart Start of Pender County, Inc.	435,061		435,061
Smart Start of Transylvania County	195,132	(503)	194,629
Smart Start of Yadkin County, Inc.	461,403		461,403
Smart Start Rowan, Inc.	1,821,690	(613)	1,821,077
Stanly County Partnership for Children	734,186		734,186
Stokes Partnership for Children	458,240	(284)	457,956
Surry County Early Childhood Partnership	650,830	(100)	650,730
The Chowan/Perquimans Smart Start Partnership	454,758		454,758
The Halifax-Warren Smart Start Partnership for Children, Inc.	522,100	*	522,100
The Mitchell-Yancey County Partnership for Children, Inc.	307,076		307,076
The Partnership for Children of Wayne County, Inc.	939,184	(29,988)	909,196
Tyrrell-Washington Partnership for Children, Inc.	275,344	(6,160)	269,184
Various Other Organizations	70,166		70,166

The North Carolina Partnership for Children, Inc.
Schedule of Contract and Grant Expenses
For the Fiscal Year Ended June 30, 2015

Schedule 2
Page 3 of 3

Organization Name	Gross Amount Expended	Refund Due	Net Amount Expended	
Wake County Smart Start	*	7,678,821	(27,035)	7,651,786
Wilkes Community Partnership for Children		664,380	(6,362)	658,018
Wilson County Partnership for Children		1,257,678	(3,175)	1,254,503
		<u>\$ 96,678,027</u>	<u>\$ (408,143)</u>	<u>\$ 96,269,884</u>

* These organizations are represented on the Partnership's Board as described in Note 10 - Related Party Transactions.

The North Carolina Partnership for Children, Inc.
Schedule of Federal and State Aid
For the Fiscal Year Ended June 30, 2015

Schedule 3

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
Federal Aid:				
United States Department of Education				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development and Early Education				
Race to the Top - Early Learning Challenge	*	84.412	N/A	\$ 3,005,598
			<u>\$ 3,005,598</u>	<u>\$ 3,005,598</u>
State Aid:				
North Carolina Department of Health and Human Services - Division of Child Development and Early Education				
Early Childhood Initiatives Program (Current Year)	**	29194	93,259,035	93,259,035
Early Childhood Initiatives Program (Current Year)	**	29201	5,014,327	5,014,327
			<u>98,273,362</u>	<u>98,273,362</u>
Total State Aid			<u>98,273,362</u>	<u>98,273,362</u>
Total Federal and State Aid			<u>\$ 101,278,960</u>	<u>\$ 101,278,960</u>

* The North Carolina Partnership is a component unit of the State of North Carolina and is an integral part of the State's *Comprehensive Annual Financial Report* (CAFR). As such, the North Carolina Partnership's Race to the Top - Early Learning Challenge federal expenditures are included in the State's Schedule of Expenditures of Federal Awards. Those expenditures are covered by the State of North Carolina's *Single Audit Report*, and a separate audit in accordance with the Single Audit Act and OMB Circular A-133 for the North Carolina Partnership is not required.

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

Note: The information on this schedule has been prepared on the accrual basis of accounting.



INDEPENDENT AUDITOR'S REPORT

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
<http://www.ncauditor.net>

**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
The North Carolina Partnership for Children, Inc.
Raleigh, 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 The North Carolina Partnership for Children, Inc. (North Carolina Partnership), a component unit of the State of North Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the North Carolina Partnership's basic financial statements, and have issued our report thereon dated April 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Carolina Partnership'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 North Carolina Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Carolina Partnership'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 North Carolina Partnership'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Carolina Partnership'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 North Carolina Partnership'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 North Carolina Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA
State Auditor

Raleigh, North Carolina

April 28, 2016

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State of North Carolina
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For additional information contact:
Bill Holmes
Director of External Affairs
919-807-7513



This audit required 412 audit hours at an approximate cost of \$40,788.