

**FINANCIAL STATEMENT AUDIT REPORT OF  
LEE COUNTY PARTNERSHIP FOR CHILDREN  
SANFORD, NORTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2014**

**BOARD OF DIRECTORS  
JAN HAYES, BOARD CHAIR**

**ADMINISTRATIVE OFFICER  
LYN HANKINS, EXECUTIVE DIRECTOR**

**Lee County Partnership for Children  
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June 30, 2014**

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

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## INDEPENDENT AUDITOR'S REPORT

To the Board Members  
Lee County Partnership for Children  
Sanford, North Carolina

### **Report on Financial Statements**

We have audited the accompanying statement of receipts, expenditures, and net assets – modified cash basis of Lee County Partnership for Children as of and for the year ended June 30, 2014, and the related statement of functional expenditures – modified cash basis for the year then ended and the related notes to the financial statements.

### **Management's Responsibilities for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

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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 Lee County Partnership for Children, as of and for the year ended June 30, 2014, and the statement of functional expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### **Other Matter**

#### **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements of Lee County Partnership for Children. The accompanying supplementary Schedules 1, 2, 3 and 4 are also presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2015, on our consideration of Lee County Partnership for Children's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lee County Partnership for Children's internal control over financial reporting and compliance.

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

Oxford, North Carolina  
January 9, 2015

**Lee County Partnership for Children, Inc.**  
**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis**  
**For the Year Ended June 30, 2014**

**Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards and Contracts	\$ 991,770	\$ 1,274,805	\$ -	\$ 2,266,575
Federal Awards	-	2,500	-	2,500
Private Contributions	-	14,143	4,925	19,068
Special Fund Raising Events	-	27,288	-	27,288
Sales Tax Refunds	-	3,420	-	3,420
Other Receipts	-	126	-	126
<b>Total Receipts</b>	<u>991,770</u>	<u>1,322,282</u>	<u>4,925</u>	<u>2,318,977</u>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	404,472	9,738	-	414,210
Child Care and Education Quality	278,310	38,713	-	317,023
Family Support	206,389	12,794	-	219,183
NC Pre-K	-	1,287,378	-	1,287,378
Support:				
Management and General	93,438	43,335	-	136,773
Program Coordination and Evaluation	9,161	3,656	-	12,817
Other:				
Sales Tax Paid	-	1,544	-	1,544
<b>Total Expenditures</b>	<u>991,770</u>	<u>1,397,158</u>	<u>-</u>	<u>2,388,928</u>
<b>Excess of Receipts Over Expenditures</b>	<u>-</u>	<u>(74,876)</u>	<u>4,925</u>	<u>(69,951)</u>
<b>Net Assets at Beginning of Year:</b>				
Net Assets at Beginning of Year	-	318,494	2,282	320,776
Restatement--See Note 8	-	2,282	(2,282)	-
<b>Net Assets at Beginning of Year after Restatement</b>	<u>-</u>	<u>320,776</u>	<u>-</u>	<u>320,776</u>
<b>Net Assets at End of Year</b>	<u>\$ -</u>	<u>\$ 245,900</u>	<u>\$ 4,925</u>	<u>\$ 250,825</u>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 7,707	\$ 246,253	\$ 4,925	\$ 258,885
	7,707	246,253	4,925	258,885
Less: Due to State	7,707	-	-	7,707
Funds Held for Others	-	353	-	353
<b>TOTAL NET ASSETS</b>	<u>\$ -</u>	<u>\$ 245,900</u>	<u>\$ 4,925</u>	<u>\$ 250,825</u>

Lee County Partnership for Children, Inc.

Statement of Functional Expenditures - Modified Cash Basis

For the Year Ended June 30, 2014

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 404,472	\$ 32,629	\$ 596	\$ 436	\$ 2,081	\$ 3,444	\$ 111	\$ 365,175
Child Care and Education Quality	278,310	114,624	2,039	1,515	7,474	6,619	393	145,646
Family Support	206,389	59,886	581	551	7,187	2,720	111	135,353
	<u>889,171</u>	<u>207,139</u>	<u>3,216</u>	<u>2,502</u>	<u>16,742</u>	<u>12,783</u>	<u>615</u>	<u>646,174</u>
<b>Support:</b>								
Management and General	93,438	63,840	10,868	1,246	6,390	10,820	274	-
Program Coordination and Evaluation	9,161	7,257	21	138	662	1,022	61	-
	<u>102,599</u>	<u>71,097</u>	<u>10,889</u>	<u>1,384</u>	<u>7,052</u>	<u>11,842</u>	<u>335</u>	<u>-</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 991,770</u>	<u>\$ 278,236</u>	<u>\$ 14,105</u>	<u>\$ 3,886</u>	<u>\$ 23,794</u>	<u>\$ 24,625</u>	<u>\$ 950</u>	<u>\$ 646,174</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 9,738	\$ 9,716	\$ -	\$ -	\$ 22	\$ -	\$ -	\$ -
Child Care and Education Quality	38,713	38,329	-	324	30	-	-	30
Family Support	12,794	-	-	-	498	-	-	12,296
NC Pre-K	1,287,378	52,519	572	456	3,877	6,949	111	1,222,894
	<u>1,348,623</u>	<u>100,564</u>	<u>572</u>	<u>780</u>	<u>4,427</u>	<u>6,949</u>	<u>111</u>	<u>1,235,220</u>
<b>Support:</b>								
Management and General	43,335	32,879	1,015	1,863	2,182	5,396	-	-
Program Coordination and Evaluation	3,656	3,656	-	-	-	-	-	-
	<u>46,991</u>	<u>36,535</u>	<u>1,015</u>	<u>1,863</u>	<u>2,182</u>	<u>5,396</u>	<u>-</u>	<u>-</u>
<b>Other:</b>								
Sales Tax Paid	1,544	-	-	1,544	-	-	-	-
	<u>1,544</u>	<u>-</u>	<u>-</u>	<u>1,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Funds Expenditures</b>	<u>\$ 1,397,158</u>	<u>\$ 137,099</u>	<u>\$ 1,587</u>	<u>\$ 4,187</u>	<u>\$ 6,609</u>	<u>\$ 12,345</u>	<u>\$ 111</u>	<u>\$ 1,235,220</u>

**LEE COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**Note 1 - Significant Accounting Policies**

- A. **Organization and Purpose** - The Lee County Partnership for Children (LCPFC) is a legally separate nonprofit organization incorporated on May 7, 1996. The LCPFC was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The LCPFC 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 LCPFC's Board of Directors is responsible. Pursuant to the provisions of Financial Accounting Standards Board's Accounting Standards for *Not-For-Profit Entities*, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this Standard, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

Contributions that are temporarily restricted and not expended within the year received are reported as an increase in temporarily restricted net assets. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Receipts, Expenditures, and Net Assets as net assets released from restrictions.

The LCPFC Partnership did not have any permanently restricted net assets at June 30, 2014.

- 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. **Due to the State** - The funding provided by the State of North Carolina for the Smart Start Initiative is funded on a cost-reimbursement basis. The money is earned to the extent of

allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.

- F. **Funds Held For Others** - Funds Held for Other's includes amounts received that are fiduciary in nature in which the LCPFC acts in an agency capacity. For the year ended June 30, 2014, the LCPFC was holding \$353. In addition, \$204 was over withheld from employee paychecks which will be returned to them and \$557 will be paid to John Hancock for the pension payments.
- G. **Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, LCPFC is required by contract regulation to track and maintain property and equipment items as presented in Schedule 3 of this report. The LCPFC 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, 2014. Donated items are recorded at estimated fair market value at the date of donation.
- H. **Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 10.
- I. **Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the LCPFC requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.
- J. **Qualifying Match and Contributions In-Kind** - Lee County Partnership for Children, 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 4. 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 4 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. Lee County Partnership for Children also benefits from donor volunteer hours which do not require specific expertise but which are nonetheless central to Lee County Partnership for Children's operations. See supplemental Schedule 4 for more information on contributions in-kind.

## **Note 2 -Deposits**

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

Deposits over this amounts subject the LCPFC to a concentration of credit risk. At June 30, 2014, the LCPFC had bank deposits in excess of the FDIC insured limit in the amount of \$132,132.

### **Note 3 -Funding From Grant Awards And Contracts**

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

Associated with these contracts, the LCPFC 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 LCPFC. These service provider contracts are not reflected on the accompanying financial statements.

The LCPFC was awarded and has received \$999,483 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The LCPFC has refunded \$7,707 of this contract to the state based on financial status reports submitted to NCPC subsequent to June 30, 2014. There was also a reversion of the prior year's funding in the current fiscal year of \$6.

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

**NC Pre-K** - The LCPFC also received revenue and support from the State of North Carolina for the NC Pre-K program. The LCPFC was awarded \$1,297,268 and received \$1,274,805 under a current year financial assistance contract.

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

**Race to the Top - Early Learning Challenge** - The LCPFC also received revenue and support from the North Carolina Department of Health and Human Services (DHHS) for the Race to the Top-Early Learning Challenge grant (RTT-ELC). The RTT-ELC grant is a federally funded initiative to reduce disparities in school readiness among children with high needs and their peers. The LCPFC was awarded \$ 5,000 and has received \$ 2,500 this fiscal year under the prior year grant.

### **Note 4 -Related Party Transactions**

**Service Provider Contracts with Board Member Organizations** - The board members of the LCPFC are representative of various organizations that benefit from actions taken by the Board. It is the policy of the LCPFC that board members not are involved with decisions regarding organizations they represent. During the year, the LCPFC entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements.

## Note 5 - Functional Expenditures

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

### A. Program Functions

**Child Care and Education Affordability** - Used to account for service activities including *or* associated with State subsidy contract and administration through Division of Child Development and Early Education [DCDEE], child care cost supports, and child care subsidy programs outside of DCDEE.

**Child Care and Education Quality** - Used to account for service activities including *or* associated with quality enhancement and maintenance, provider training, learning materials and teaching aids, curriculum enhancements, child care needs and resources assessments, kindergarten orientation/transition, child care resource and referral services, professional development, and salary supplements.

**Family Support** - Used to account for service activities including *or* associated with ongoing parenting general family support, community outreach information and resources, and home visiting.

**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, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Direct allocation based on employee time reports.

**Other Costs** - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were indirectly allocated based on utilization data.

**Note 6 - Lease Obligations**

**Operating Lease Obligations** - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2014:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2015	\$ 25,623
2016	7,810
2017	<u>4,403</u>
Total Minimum Lease Payments	\$ <u>37,836</u>

Rental expense for all operating leases during the year was \$30,136.

**Note 7 - Pension Plan**

**Retirement Plans** - The LCPFC has a SIMPLE-IRA Plan covering all full-time employees. Each full-time employee meeting requirements has an option to participate in the Plan. The Individual Retirement Account is provided to LCPFC to match up to a Maximum contributed of 3% of gross wages for the year ended June 30, 2014. The LCPFC does not own the accounts nor is liable for any other cost other than the required contribution. The LCPFC contributed \$5,546 for pension benefits during the year.

**Note 8 - Restatement of Net Assets**

The LCPFC received a Race to the Top - Early Learning Challenge stipend during the prior fiscal year, FY12/13. These funds were incorrectly classified as temporary restricted private contributions at the time of receipt. As a result, a reclassification of the net assets is required for proper financial presentation for both the Unrestricted Other and the Temporarily Restricted funds and is presented as follows:

	<u>Net Assets Previously Reported</u>	<u>Net Effect of P/Y Reclassification</u>	<u>Net Assets Restated July 1, 2014</u>
UR Funds Other	\$ 0	\$2,282	\$2,282
TR Funds	\$2,282	\$ 0	(\$2,282)

## Note 9 - Risk Management

The LCPFC 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 LCPFC manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions, health and life	Purchased commercial insurance	None
Workers Compensation – employee injuries	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant losses to the LCPFC. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

## Note 10 -Commitments and Contingencies

**Compensated Absences** - As a result of the LCPFC'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, 2014, is \$8,756. No funds or reservation of net assets has been made for this commitment.

## Note 11 – Restrictions on net assets

- A. **Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2014 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Imagination Library	\$ 4,925
Total Restricted Net Assets	<u>\$ 4,925</u>

## Note 12 -Income Taxes

The LCPFC 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. Income tax returns from 2011 through 2014 are open to examination by the tax authorities.

The LCPFC does not believe there are any unrecognized tax benefits or costs as of June 30, 2014.

**Note 13-Subsequent Events**

The LCPFC has evaluated events and transactions that occurred between June 30, 2014 and January 9, 2015, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Events or transactions that provided evidence about conditions that did not exist at June 30, 2014 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, 2014.

This information is an integral part of the financial statements.

## **SUPPLEMENTARY SCHEDULES**

**Lee County Partnership for Children**  
**Schedule of Contract and Grant Expenditures - Modified Cash Basis**  
**For the Year Ended June 30, 2014**

*Schedule 1*

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<b>Organizations:</b>				
Abundant Life Children's Center	\$ 27,607	\$ -	\$ 153,144	\$ -
All About Us Kids Child Care Center	6,757	-	-	-
Blandonia Child Development Center	6,875	-	155,047	-
* Central Carolina Community College	38,400	-	-	-
Childcare Network	17,147	-	285,314	-
Church of God of Prophecy Childcare	6,789	-	-	-
* Coalition for Families in Lee County	246,172	-	-	-
Dollywood Foundation	10,751	-	12,297	-
Easter Seals UCP Stepping Stones Learning Center	13,794	-	-	-
Estelle's Childcare, Inc.	23,179	-	-	-
Get Smart	8,607	-	-	-
* Heike Geist	250	-	-	-
Jireh Child Development Center	42,747	-	-	-
Kirsten Rose Childcare Center, Inc.	6,872	-	-	-
* Lee County Schools	2,488	-	480,165	-
Little Dreamers Child Care Ctr.	908	-	-	-
Mema Shirley's Childcare	16,783	-	-	-
North Lee Child Development Center	1,019	-	-	-
Sanford Child Care	30,543	-	-	-
Shooting Stars Learning Center	35,048	-	149,253	-
Small Hands - Big Future Childcare	32,825	-	-	-
Solid Foundations	5,431	-	-	-
Stop'N Drop Academic Center	62,538	-	-	-
Stop-N-Drop Day Care	1,844	-	-	-
	<u>645,374</u>	<u>-</u>	<u>1,235,220</u>	<u>-</u>
<b>Individuals:</b>				
Professional Development Cash Grants-Individuals	800	-	-	-
	<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 646,174</u>	<u>\$ -</u>	<u>\$ 1,235,220</u>	<u>\$ -</u>

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

**Lee County Partnership for Children  
Schedule of Federal and State Awards - Modified Cash Basis  
For the Year Ended June 30, 2014**

**Schedule 2**

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
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. RTT-ELC Grant (Prior Year)	84.412	* #320: 12-13-035	\$ 2,500	\$ 4,782
<b>Total Federal Awards</b>			<u>2,500</u>	<u>4,782</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services Division of Child Development and Early Education Pass-through from The North Carolina Partnership for Children, Inc. Early Childhood Initiatives Program (Current Year)		N/A	\$ 991,776	\$ 991,776
Early Childhood Initiatives Program (Prior Year)		* N/A	\$ (6)	\$ (6)
North Carolina Department of Health and Human Services Division of Child Development and Early Education NC Pre-K (Current Year)		29079	\$1,274,805	\$ 1,274,074
<b>Total State Awards</b>			<u>2,266,575</u>	<u>2,265,844</u>
<b>Total Federal and State Awards</b>			<u>\$2,269,075</u>	<u>\$ 2,270,626</u>

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

***Lee County Partnership for Children  
Schedule of Property and Equipment - Modified Cash Basis  
For the Year Ended June 30, 2014***

***Schedule 3***

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Furniture and Noncomputer Equipment	\$ 4,423
Computer Equipment/Printers	<u>28,158</u>
<b>Total Property and Equipment</b>	<b><u><u>\$ 32,581</u></u></b>

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

***Lee County Partnership for Children  
Schedule of Qualifying Match (Non-GAAP)  
For the Fiscal Year Ended June 30, 2014***

***Schedule 4***

***Match Provided at the Partnership Level:***

Cash	\$	98,031
In-Kind Goods and Services		<u>24,256</u>
	\$	<u><u>122,287</u></u>

***Match Provided at the Contractor Level:***

Cash	\$	23,645
In-Kind Goods and Services		<u>3,519</u>
	\$	<u><u>27,164</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2013-360, Section 12B.9(d). The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.

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

Certified Public Accountants



America Counts on CPAs

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of  
Lee County Partnership for Children  
Sanford, 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 Lee County Partnership for Children (a nonprofit organization), which comprise the statement of receipts, expenditures, and net assets – modified cash basis as of June 30, 2014, and the related statement of functional expenditures – modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 9, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lee County Partnership for Children's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lee County Partnership for Children's internal control. Accordingly, we do not express an opinion on the effectiveness of Lee County Partnership for Children's internal control.

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

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

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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 Lee County Partnership for Children's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Oxford, North Carolina  
January 9, 2015