

FINANCIAL STATEMENT AUDIT REPORT OF  
ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.  
JACKSONVILLE, NORTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2016

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BOARD OF DIRECTORS  
JULIA COLLINS, BOARD CHAIR

ADMINISTRATIVE OFFICER  
DAWN ROCHELLE, EXECUTIVE DIRECTOR

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## Independent Auditor's Report

To the Board of Directors  
Onslow County Partnership for Children, Inc.  
Jacksonville, North Carolina

### Report on Financial Statements

We have audited the accompanying financial statements of Onslow County Partnership for Children, Inc., which comprise the Statement of Receipts, Expenditures, and Net Assets — Modified Cash Basis as of and for the year ended June 30, 2016, and the related Statement of Functional Expenditures — Modified Cash Basis and the related notes to the financial statements for the year then ended.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Onslow County Partnership for Children, Inc. as of June 30, 2016, and the results of its operations for the year then ended, in accordance with the modified cash basis of accounting as described in Note 1.

## **Other Matters**

### ***Basis of Accounting***

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

### ***Supplementary Information***

Schedule 4 on page 23 is not a required part of the basic financial statements but is supplementary information required by the North Carolina Office of the State Auditor. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion or provide any assurance on schedule 4.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules 1, 2, and 3, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of Federal and State awards – Modified Cash Basis (Schedule 3) as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 February 8, 2017, on our consideration of the Onslow County Partnership for Children, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Onslow County Partnership for Children, Inc.'s internal control over financial reporting and compliance.

*Elliott Davis Decosimo, PLLC*

Raleigh, North Carolina  
February 8, 2017

**Onslow County Partnership for Children, Inc.**  
**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis**  
**As of and for the Year Ended June 30, 2016**

**Exhibit A**

	Unrestricted		Temporarily Restricted Funds	Total Funds
	Smart Start Funds	Other Funds		
<b>Receipts:</b>				
State Awards and Contracts, Net of Refunds	\$ 4,106,267	\$ 2,720,947	\$ -	\$ 6,827,214
Federal Awards	-	11,792,748	-	11,792,748
Private Contributions	-	183,174	13,289	196,463
Special Fund Raising Events	-	85,184	-	85,184
Interest and Investment Earnings	-	42	-	42
Sales Tax Refunds	-	21,592	-	21,592
Other Receipts	-	136,972	-	136,972
<b>Total Receipts</b>	<b>4,106,267</b>	<b>14,940,659</b>	<b>13,289</b>	<b>19,060,215</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	31,959	(31,959)	-
	<b>4,106,267</b>	<b>14,972,618</b>	<b>(18,670)</b>	<b>19,060,215</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	1,669,411	8,912,533	-	10,581,944
Child Care and Education Quality	1,309,328	85,754	-	1,395,082
Family Support	593,046	1,143,377	-	1,736,423
Health and Safety	-	131,093	-	131,093
NC Pre-K	-	4,346,552	-	4,346,552
Support:				
Management and General	319,799	281,244	-	601,043
Program Coordination and Evaluation	214,683	5,035	-	219,718
Other Program Support	-	23,000	-	23,000
Other:				
Sales Tax Paid	-	20,334	-	20,334
<b>Total Expenditures</b>	<b>4,106,267</b>	<b>14,948,922</b>	<b>-</b>	<b>19,055,189</b>
<b>Excess of Receipts Over Expenditures</b>	<b>-</b>	<b>23,696</b>	<b>(18,670)</b>	<b>5,026</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>174,349</b>	<b>252,617</b>	<b>426,966</b>
<b>Net Assets at End of Year</b>	<b>\$ -</b>	<b>\$ 198,045</b>	<b>\$ 233,947</b>	<b>\$ 431,992</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ -	\$ 193,296	\$ 233,947	\$ 427,243
	-	193,296	233,947	427,243
Less: Funds Held for (Due from) Others	-	(4,749)	-	(4,749)
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ 198,045</b>	<b>\$ 233,947</b>	<b>\$ 431,992</b>

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

**Onslow County Partnership for Children, Inc.**  
**Statement of Functional Expenditures - Modified Cash Basis**  
**For the Year Ended June 30, 2016**

**Exhibit B**

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/Contracts/Grants</u>
<b>Smart Start Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 1,669,411	\$ 106,918	\$ -	\$ 434	\$ -	\$ -	\$ 560	\$ 1,561,499
Child Care and Education Quality	1,309,328	1,015,190	17,202	40,638	95,016	130,626	10,656	-
Family Support	593,046	235,365	5,779	22,919	40,583	55,860	11,395	221,145
	<u>3,571,785</u>	<u>1,357,473</u>	<u>22,981</u>	<u>63,991</u>	<u>135,599</u>	<u>186,486</u>	<u>22,611</u>	<u>1,782,644</u>
<b>Support:</b>								
Management and General	319,799	244,823	9,216	2,159	23,899	35,497	4,205	-
Program Coordination and Evaluation	214,683	181,133	3,657	1,491	9,598	16,161	2,643	-
	<u>534,482</u>	<u>425,956</u>	<u>12,873</u>	<u>3,650</u>	<u>33,497</u>	<u>51,658</u>	<u>6,848</u>	<u>-</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 4,106,267</u>	<u>\$ 1,783,429</u>	<u>\$ 35,854</u>	<u>\$ 67,641</u>	<u>\$ 169,096</u>	<u>\$ 238,144</u>	<u>\$ 29,459</u>	<u>\$ 1,782,644</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 8,912,533	\$ 424,696	\$ 4,455	\$ 17,250	\$ 21,836	\$ 52,444	\$ 9,355	\$ 8,382,497
Child Care and Education Quality	85,754	33,822	7,441	3,337	25,341	5,061	2,695	8,057
Family Support	1,143,377	795,781	90,087	22,954	120,440	89,470	10,514	14,131
Health and Safety	131,093	96,375	3,951	6,202	9,395	5,096	2,924	7,150
NC Pre-K	4,346,552	140,806	1,327	61,161	5,072	9,314	797	4,128,075
	<u>14,619,309</u>	<u>1,491,480</u>	<u>107,261</u>	<u>110,904</u>	<u>182,084</u>	<u>161,385</u>	<u>26,285</u>	<u>12,539,910</u>
<b>Support:</b>								
Management and General	281,244	187,883	7,726	3,134	62,437	16,514	3,250	300
Program Coordination and Evaluation	5,035	-	-	-	4,732	-	303	-
Other Program Support	23,000	-	23,000	-	-	-	-	-
	<u>309,279</u>	<u>187,883</u>	<u>30,726</u>	<u>3,134</u>	<u>67,169</u>	<u>16,514</u>	<u>3,553</u>	<u>300</u>
<b>Other:</b>								
Sales Tax Paid	20,334	-	-	20,334	-	-	-	-
	<u>20,334</u>	<u>-</u>	<u>-</u>	<u>20,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Funds Expenditures</b>	<u>\$ 14,948,922</u>	<u>\$ 1,679,363</u>	<u>\$ 137,987</u>	<u>\$ 134,372</u>	<u>\$ 249,253</u>	<u>\$ 177,899</u>	<u>\$ 29,838</u>	<u>\$ 12,540,210</u>

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

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Onslow County Partnership for Children, Inc. (Onslow Partnership) is a legally separate nonprofit organization incorporated on June 26, 1998. The Onslow Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Onslow Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.
- B. Basis of Presentation** - The accompanying financial statements present all funds for which the Onslow Partnership's Board of Directors is responsible. Pursuant to the provisions of Financial Accounting Standards Board's accounting standards for not-for-profit entities, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the 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 – Modified Cash Basis as net assets released from restrictions.

Onslow Partnership did not have any permanently restricted net assets at June 30, 2015.

- C. Basis of Accounting** - The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. Additionally, Smart Start funds advanced to the local partnership that are unexpended and unearned at year end are recorded as funds Due to the State.

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificates of deposit and other short-term investments with an original maturity of three months or less.

**E. Funds Held For (Due From) Others** - Funds held for (due from) others includes amounts received that are fiduciary in nature in which the Onslow Partnership acts in an agency capacity. For the year ended June 30, 2016, the Onslow Partnership was holding amounts withheld from employee paychecks for distribution to authorities as well as awaiting payments from employees for insurance premiums as follows:

American Funds Payable	Credit	\$263
Health Insurance Payable	Debit	\$4,183
AFLAC Premium	Debit	\$8
BCBS Dental Insurance	Debit	\$942
Prepaid Legal	Debit	\$42
Health Ins (UNUM)	Credit	\$12
United Way	Credit	\$151

**F. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Onslow Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 3 of this report. The Onslow Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2016. Donated items are recorded on the property and equipment log at estimated fair market value at the date of donation.

**G. Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

**H. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Onslow Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management’s belief that these estimates are reasonable and fair.



**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

- I. **Qualifying Match and Contributions In-Kind** - Onslow Partnership, in accordance with applicable Smart Start legislation, reports qualifying match provided at both the Partnership and the contractor level; the qualifying match is reported in supplemental Schedule 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. Onslow Partnership also benefits from donor volunteer hours which do not require specific expertise but which are nonetheless central to Onslow Partnership's operations. See supplemental Schedule 4 for more information on contributions in-kind.

**NOTE 2 - DEPOSITS**

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

Deposits over insured amounts subject the Onslow Partnership to a concentration of credit risk. At June 30, 2016, the Onslow Partnership did not have any bank deposits not insured by FDIC.

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

**Smart Start Program** – One of the Onslow Partnership's major sources of revenue and support is from the State of North Carolina (the State) 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 Onslow Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Onslow Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area.

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

The Onslow Partnership was awarded and has received \$4,106,267 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Onslow Partnership has expended all awarded funds and therefore has returned none of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2016.

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

**Child Care Subsidy** - The Onslow Partnership also received revenue and support from the North Carolina Department of Health and Human Services (DHHS) based on a cost-reimbursement pass-through contract with the County of Onslow for the Child Care Subsidy program. The Onslow Partnership received \$7,542,011 in federal dollars, \$1,362,019 in state dollars and expended \$8,856,375 under a prior year contract. The term of this contract was for June 1, 2015 through May 31, 2016.

**Child Care Subsidy** - The Onslow Partnership also received revenue and support from the North Carolina Department of Health and Human Services based on a cost-reimbursement pass-through contract with the County of Onslow for the Child Care Subsidy program. The Onslow Partnership was awarded \$8,991,845, and has expended \$44,283 under a current year contract. The term of this contract was for June 1, 2016 through May 31, 2017.

The Onslow Partnership expects to receive continued funding through new Child Care Subsidy contracts with the County of Onslow.

**NC Pre-K** - The Onslow Partnership also received revenue and support from the State of North Carolina for the NC Pre-K program. The Onslow Partnership was awarded \$4,346,552 and received \$3,160,400 in federal dollars, \$1,186,152 in state dollars and expended \$4,346,552 under a current year contract.

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

**Multi-County Accounting and Contracting** – The Onslow Partnership also received revenue and support from the State for their participation in the Multi-County Accounting and Contracting Program. The unexpended balance of this contract is subject to reversion to the State. The Onslow Partnership was awarded and has received \$140,776 under a current year contract for payment of administrative and accounting services. The Onslow Partnership expended \$140,776 of this contract during the current year.

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Shape NC** - The Onslow Partnership also received revenue and support from the North Carolina Partnership for Children, Inc. for their participation in the Shape NC Program. The unexpended balance of this contract is subject to reversion to the North Carolina Partnership for Children, Inc. The Onslow Partnership was awarded \$384,550 for grant period January 1, 2014 to December 31, 2016. The Onslow Partnership has received \$116,695 and expended \$72,398 of this contract during the current year. In addition, the Onslow Partnership received \$37,392 and expended \$58,695 for the contract year January 1, 2016 to December 31, 2016.

**Young Families Connect** - The Onslow Partnership also received revenue and support from the North Carolina Department of Health and Human Services, Division of Public Health for their participation in the Pregnancy Assistance Program through a Young Family Connect award. The unexpended balance of this contract is subject to reversion to the North Carolina Department of Health and Human Services, Division of Public Health. The Onslow Partnership was awarded \$210,000 and has received \$130,504 and expended \$150,726 of this contract during the current year.

**Young Moms Connect** - The Onslow Partnership also received revenue and support from the North Carolina Department of Health and Human Services, Division of Public Health for their participation in the Pregnancy Assistance Program through Young Moms Connect Award. The Onslow Partnership received \$58,117 and expended \$20,898 under a prior year contract.

**Early Head Start** - The Onslow Partnership was awarded \$807,544 and has received \$400,659 and expended \$401,632 under a contract with the Department of Health and Human Services Administration for Children and Families for an Early Head Start Grant. The term of this contract was for January 1, 2015 through December 31, 2015.

**Early Head Start** - The Onslow Partnership was awarded \$807,544 and has received \$344,855 and expended \$381,837 under a contract with the Department of Health and Human Services Administration for Children and Families for an Early Head Start Grant. The term of this contract runs January 1, 2016 through December 31, 2016. The balance of the award of the contract will be received and expended after June 30, 2016.

**Governor's Crime Commission** - The Onslow Partnership has received \$12,877 and expended \$3,807 under a prior year contract with the Governor's Crime Commission. The term of this contract was for July 1, 2014 through September 30, 2015.

**Governor's Crime Commission** - The Onslow Partnership was awarded \$112,858 and has received \$100,620 and expended \$105,406 under a current year contract with the Governor's Crime Commission. The term of this contract is for July 1, 2015 through September 30, 2016.

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**National Children's Alliance** – The Onslow Partnership was awarded \$9,000 and has expended \$9,000 under a current year reimbursement contract with the National Children's Alliance. The term of the contract was for January 1, 2016 to December 31, 2016. The Onslow Partnership also received and expended \$9,000 from a prior year contract that runs January 1, 2015 to December 31, 2015.

**Regional Child Care Resource & Referral Program (CCR&R)** - The Onslow Partnership received revenue and support from the North Carolina Department of Health and Human Services based on a cost reimbursement pass-through contract with Martin/Pitt Partnership for the Regional Child Care Resource & Referral Program. The Onslow Partnership was awarded \$32,374, received \$21,738 and expended \$32,374.

**CCSA Race To The Top** – The Onslow Partnership received \$10,243, and expended \$3,839 from the North Carolina Department of Health and Human Services for a prior year 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.

**CCSA Race To The Top** – The Onslow Partnership received \$1,724 from the North Carolina Department of Health and Human Services for a prior year RTT-ELC grant. The RTT-ELC grant is a federally funded initiative to reduce disparities in school readiness among children with high needs and their peers.

**CCSA Race To The Top** – The Onslow Partnership was awarded \$1,400 and expended \$875 from the North Carolina Department of Health and Human Services (DHHS) for a current year RTT-ELC grant. The RTT-ELC grant is a federally funded initiative to reduce disparities in school readiness among children with high needs and their peers.

**Private Contributions** – An additional \$32,000 in private proceeds, grants, and donations were received during the year ended June 30, 2016.

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 4 - RELATED PARTY TRANSACTIONS**

**Service Provider Contracts with Board Member Organizations** - The board members of the Onslow Partnership are representatives of various organizations that benefit from actions taken by the Board. It is the policy of the Onslow Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Onslow Partnership 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 (Division of Child Development and Early Education) [DCDEE], Head Start wraparound/extended day, dual subsidy and dual subsidy administration, subsidy supplements for quality, Head Start classrooms and coordination, child care transportation for subsidized children, part-day subsidy programs, subsidy preschool classes and public pre-K subsidy.

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 5 - FUNCTIONAL EXPENDITURES, CONTINUED**

**Child Care and Education Quality** - Used to account for service activities including or associated with quality enhancement and maintenance, child care resource and referral, professional development and supplements, literacy for child care providers, provider training, special needs – early intervention support for child care professionals, learning materials and teaching aids, curriculum enhancements, child care needs and resources assessments.

**Family Support** - Used to account for service activities including or associated with teen parent/child programs, ongoing parenting education, general family support, family intervention, community outreach information and resources, home visiting or family support needs and resources assessments.

**Health and Safety** - Used to account for service activities including or associated with special needs – early intervention services/special education, health needs and resources assessment, or nutrition programs.

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

**B. Support Functions**

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

**Program Coordination and Evaluation** - Expenditures that are incurred to coordinate the policies, procedures, daily practices, and evaluation of service delivery. Also, costs associated with providing technical assistance, monitoring and reporting of in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

**Other Program Support** - Expenditures incurred to provide support to organizations in the form of curriculum, books, supporting materials, and training.

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 5 - FUNCTIONAL EXPENDITURES, CONTINUED**

**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 estimates of utilization and utilization data.

**NOTE 6 - LEASE OBLIGATIONS**

**A. Operating Lease Obligations** - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2016:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2017	\$ 337,004
2018	246,876
2019	237,598
2020	<u>221,466</u>
Total Minimum Lease Payments	<u>\$ 1,042,944</u>

Rental expense for all operating leases during the year was \$360,849.

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 6 - LEASE OBLIGATIONS, CONTINUED**

**B. Capital Lease Obligations** - Capital lease obligations relating to equipment are recorded at the present value of the minimum lease payments. Under the modified cash basis of accounting, these lease obligations are not recorded on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis, and are presented solely for disclosure purposes. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2016:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2017	\$ 2,742
2018	<u>685</u>
Total Minimum Lease Payments	<u><u>\$ 3,427</u></u>

**NOTE 7 - PENSION PLAN**

Deferred Compensation and Supplemental Retirement Income Plans- IRC Section 401(k) Plan - The Onslow Partnership has an IRC Section 401(k) plan (Plan). All costs of administering the Plan are the responsibility of the Plan participants. The Onslow Partnership contributed up to 4% of gross wages for participating employees the year ended June 30, 2016. Employees may make voluntary contributions to the Plan. For the year ended June 30, 2016, the Onslow Partnership contributed \$52,626.



**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 8 - RISK MANAGEMENT**

The Onslow Partnership is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Onslow Partnership manages these various risks of loss as follows:

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

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

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

**Compensated Absences** - As a result of the Onslow Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2016, is \$108,959. No funds or reservation of net assets has been made for this commitment.

**NOTE 10 - RESTRICTIONS ON NET ASSETS**

**A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2016 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Child Advocacy Center	\$ 223,650
Imagination Library	5,707
Keeping Kids Safe	4,290
Literacy Donations	300
	<u>\$ 233,947</u>

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2016, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Child Advocacy Center	\$ 13,668
Imagination Library	8,328
Keeping Kids Safe	2,390
USAA-KKS	7,567
Safe Kids ARTS	6
	<u>\$ 31,959</u>

**NOTE 11 - INCOME TAXES**

The Onslow Partnership is exempt from payment of income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except to the extent of taxes on any unrelated business income.

FASB ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing financial statements to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. The Onslow Partnership does not believe there are any unrecognized tax benefits or costs as of June 30, 2016. Income tax returns from 2013 through 2015 are open for examination by taxing authorities.

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 12 - SUBSEQUENT EVENTS**

The Onslow Partnership has evaluated events and transactions that occurred between June 30, 2016 and February 8, 2017, 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, 2016 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, 2016.

**NOTE 13 - NEW STANDARDS**

In August 2016, the FASB issued guidance to make targeted improvements to the not-for-profit financial reporting model, including changes in how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, and financial performance. The amendments will be effective for the Partnership for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. The Partnership is currently evaluating the effect that implementation of the new standard will have on its financial position, and results of operations.

**Onslow County Partnership for Children, Inc.**

**Schedule of Contract and Grant Expenditures - Modified Cash Basis**

**For the Year Ended June 30, 2016**

**Schedule 1**

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Due	Amount	Refund
<b>Organizations:</b>				
PEERS - Adolescent Teen Parenting	* \$ 150,350	\$ -	\$ -	\$ -
PEERS - Parent Education Enhancement	* 60,500	-	-	-
A&R Investments of Burgaw, LLC	-	-	7,305	-
AAIPharma Services Corp	-	-	6,967	-
Abundance of Love & Learning	44,552	-	323,083	-
Adventure World CDC	-	-	12,586	-
All God's Children Childcare	-	-	7,380	-
Baptist Educational Center	-	-	6,469	-
Brighter Beginnings CDC	-	-	7,949	-
Brookwood Baptist Church	-	-	490,478	-
Child Development School, Inc	-	-	3,850	-
Childcare Network #76	-	-	21,518	-
Childcare Network Inc. #79	-	-	98,905	-
Childcare Network Inc. #79B	17,603	-	131,861	-
Childcare Network Inc. #80	46,251	-	349,379	-
Childcare Network Inc. #81	58,307	-	313,175	-
Childcare Network Inc. #83	-	-	11,184	-
Children & Youth Partnership for Dare County	-	-	400	-
Children's Castle Childcare	59,607	-	431,156	-
Children's Castle II	-	-	558,914	-
Children's Castle School Age P	1,476	-	177,973	-
Children's Home Day Care	-	-	13,895	-
Coastal Carolina Community College	-	-	1,471	-
Cornerstone Assembly of God	-	-	2,219	-
Creative Minds Preschool, Inc	-	-	4,543	-
Deep Run Child Care Center Inc	-	-	4,359	-
Destinee Childcare Center Inc	-	-	349	-
Discovery Place Child Care Ctr	-	-	17,623	-
Eastern Carolina Human	-	-	92,892	-
Edu-Care Preschool	-	-	363	-
Excel Learning Center VIII LLC	225,595	-	910,538	-
Excel Learning Center XIII LLC	-	-	70,313	-
Excel Learning Centers I LLC	-	-	4,357	-
Excel Learning Centers II LLC	-	-	1,680	-
Excel Learning Centers III LLC	-	-	396	-
Excel Learning Centers IX LLC	-	-	491,432	-
Excel Learning Centers VI LLC	-	-	1,362	-
Excel Learning Centers X LLC	154,121	-	674,596	-
Excel Learning Centers XI LLC	173,815	-	556,531	-
Excel Learning Centers XII LLC	201,546	-	483,138	-

**Onslow County Partnership for Children, Inc.**  
**Schedule of Contract and Grant Expenditures - Modified Cash Basis**  
**For the Year Ended June 30, 2016**

**Schedule 1, Continued**

Organization Name	Smart Start Funds		Other Funds	
	Amount		Amount	Refund
	Advanced	Due		
<b>Organizations:</b>				
Excel Learning Centers XIV LLC	\$ 59,607	\$ -	\$ 322,663	\$ -
Farmer-N-Dell Learning Ctr,LLC	-	-	15,987	-
First Baptist Church, Inc.	-	-	9,014	-
First Friends Program LLC	-	-	1,178	-
Grace Baptist Church	-	-	7,293	-
Happy Day Christian Childcare	-	-	135,387	-
Heart Works Safe Start Academy	-	-	2,320	-
Jolly Bee Childcare	-	-	115,767	-
Kiddie Kollege Infant Toddler	-	-	23,129	-
Kids & Company	-	-	11,224	-
Kids Educational Center V	-	-	161,952	-
Little Kiddies Day Care	-	-	839	-
Little Sandpipers Learning	-	-	3,686	-
Lou Anna's Childcare Ctr, Inc	-	-	548	-
Lynnwood Park Zoo	-	-	217	-
Minnieland Private Day Sch Inc	-	-	804	-
Miss M's Tot University	11,700	-	67,783	-
NC Dept. of Revenue	-	-	769	-
New Beginnings Child Care #II	176,234	-	593,982	-
New Beginnings Child Care #III	118,147	-	622,451	-
New Beginnings Child Care #IV	1,107	-	132,567	-
New Beginnings Child Care, Inc	118,239	-	375,460	-
Noah's Ark Christian Preschool	-	-	18,121	-
Onslow County Child Development Center	10,699	-	334,620	-
Onslow County Schools	*	-	1,033,200	-
Playmates Child Care of	-	-	3,400	-
Pollocksville Presbyterian	-	-	11,386	-
Precious Resources Daycare	33,115	-	448,255	-
Progressive Child Development	-	-	7,310	-
Robyn's Nest Creative Learning	-	-	7,351	-
Sandcastles Childcare Center	-	-	475	-
Shiloh Institute	-	-	302,565	-
Sneads Ferry Childcare Srvcs	-	-	132,613	-
Sneads Ferry Quality A/S	-	-	44,420	-
Southwest Elementary Pre-K	-	-	580	-
Sparkles! At Chantilly, LLC	-	-	182	-
Spec	-	-	3,522	-
Specnine, Inc	-	-	1,103	-
Spectwo, Inc	-	-	13,294	-
Star Search 2000 Child Care	-	-	280,250	-
Tailored Learning Center	-	-	12,701	-
Teachable Moments	14,678	-	291,054	-
The Right Start Family	-	-	7,919	-
United States Treasury	35,100	-	79,517	-
Wee Care Education Academy	-	-	4,026	-
White Oak Childrens Ctr I & II	-	-	54,679	-
White Oak Church of God	-	-	2,211	-
Yopp Investments, LLC	-	-	3,232	-
	<u>1,772,349</u>	<u>-</u>	<u>11,995,595</u>	<u>-</u>

**Onslow County Partnership for Children, Inc.**  
**Schedule of Contract and Grant Expenditures - Modified Cash Basis**  
**For the Year Ended June 30, 2016**

**Schedule 1, Continued**

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Due	Amount	Refund
<b>Individuals:</b>				
Child Advocacy Center - Participant Training Expense	-	-	295	-
Early Head Start - Gas Cards	-	-	500	-
Early Head Start - Participant Child Care	-	-	193	-
Early Head Start - Gas Cards	-	-	8,230	-
Imagination Library - Dollywood Foundation Participants (books)	-	-	9,494	-
Incredible Years - Gas Cards	1,550	-	-	-
Incredible Years - Child Care for Classes	2,580	-	-	-
MCH Planning - Ursula Franklin-Davis	-	-	300	-
Safe Kids - Car Seats and Installation Accessories	-	-	7,567	-
Triple P - Gas Cards	3,450	-	-	-
Triple P - Childcare for Classes	2,715	-	-	-
Walmart Grant for Box Fans	-	-	490	-
Young Families Connect - Participant Incentives	-	-	67	-
Young Families Connect - Participant Child Care	-	-	1,385	-
Young Families Connect - Participant Incentives	-	-	1,156	-
Child Care Subsidy - Individuals	-	-	514,938	-
	<u>10,295</u>	<u>-</u>	<u>544,615</u>	<u>-</u>
	<u>\$ 1,782,644</u>	<u>\$ -</u>	<u>\$ 12,540,210</u>	<u>\$ -</u>

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

**Onslow County Partnership for Children, Inc.**  
**Schedule of Federal and State Awards - Modified Cash Basis**  
**For the Year Ended June 30, 2016**

**Schedule 2**

Federal/State Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number		Contract #	Receipts	Expenditures
<b>Federal Awards:</b>					
Child Care and Development Fund Cluster:					
United States Department of Health and Human Services					
Child Care & Development Block Grant					
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 (Prior Year)					
	93.575	**	CCSA-15-Onslow RTT	10,243	3,839
Pass-through from Child Care Services Association, Inc.					
Race to the Top - Early Learning Challenge (Prior Year)					
	93.575	**	CCSA-15-Onslow RTT	1,724	-
Pass-through from Martin/Pitt Partnership for Children (Current Year)					
	93.575	**	3233-303	21,738	32,374
Race to the Top - Child Care Resource and Referral (Current Year)					
	93.575	**	2770-603	-	875
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development and Early Education					
Child Care & Development Block Grant					
Pass-through from Onslow County (Current Year)					
	93.596	**	62315	-	44,283
Pass-through from Onslow County (Prior Year)					
	93.596	**	62315	7,542,011	7,494,356
<b>Total Child Care and Development Fund Cluster</b>				<u>7,575,716</u>	<u>7,575,727</u>
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development					
North Carolina Pre-Kindergarten Program					
	93.558	**	31858	3,160,400	3,160,400
Administration For Children and Families, Office of Head Start					
ARRA - Early Head Start (Prior Year)					
	93.709		04-SA-4631/02	-	5,582
Administration For Children and Families, Office of Head Start					
Early Head Start (Prior Year)					
	93.600	**	04CH4779/01	400,659	401,632
Administration For Children and Families, Office of Head Start					
Early Head Start (Current Year)					
	93.600	**	04CH4779-02-00	344,855	381,837
Pass-through from the North Carolina Department of Health and Human Services					
Pregnancy Assistance Fund Program -					
Young Moms Connect (Prior Year)					
	93.500		30718	58,117	20,898
Pregnancy Assistance Fund Program - Young Family Connect					
	93.500		31817	130,504	150,726
<b>Total Department of Health and Human Services</b>				<u>4,094,535</u>	<u>4,121,075</u>
United States Department of Justice					
Pass-through from the NC Department of Crime Control & Public Safety - Governor's Crime Commission					
Crime Victim Assistance (Prior Year)					
	16.575		PROJ010247	12,877	3,807
Crime Victim Assistance (Current Year)					
	16.575		PROJ011152	100,620	105,406
Office of Juvenile Justice and Delinquency Prevention					
Pass-through from the National Children's Advocacy Centers of NC (Current Year)					
	16.758		16-JACK-NC-SA16	-	9,000
Pass-through from the National Children's Advocacy Centers of NC (Prior Year)					
	16.758		15-Jack-NC-SA15	9,000	9,000
<b>Total United States Department of Justice</b>				<u>122,497</u>	<u>127,213</u>
<b>Total Federal Awards</b>				<u>11,792,748</u>	<u>11,824,015</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)					
		*		4,106,267	4,106,267
Multi-Partnership Accounting and Contracting Grant (Current Year)					
				140,776	140,776
Child Advocacy Center Grant					
			30324-15	12,000	12,000
Child Advocacy Center Grant					
			32027-16	-	12,200
MCH Planning Grant					
			A320	20,000	20,000
North Carolina Department of Health and Human Services: Division of Child Development and Early Education					
Pass-through from Onslow County					
Child Care & Development Block Grant (Prior Year)					
			62315	1,362,019	1,362,019
North Carolina Department of Health and Human Services: Division of Child Development and Early Education					
North Carolina Pre-Kindergarten Program					
			31858	1,186,152	1,186,152
<b>Total State Awards</b>				<u>6,827,214</u>	<u>6,839,414</u>
<b>Total Federal and State Awards</b>				<u>\$ 18,619,962</u>	<u>\$ 18,663,429</u>

\* Programs with compliance requirements that have a direct and material effect on the financial statements (Referenced in the report on page 24)

\*\* Major Programs per Uniform Guidance. (Referenced in the report on page 26)

Note: Expenditures reported on the Schedule are reported on the modified-cash basis of accounting. Such expenditures are recognized following the cost principles contained in the U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited to reimbursement.

**Onslow County Partnership for Children, Inc.**  
**Schedule of Property and Equipment - Modified Cash Basis**  
**June 30, 2016**

**Schedule 3**

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Furniture and Noncomputer Equipment	\$	344,908
Computer Equipment/Printers		<u>189,444</u>
<b>Total Property and Equipment</b>	<b>\$</b>	<b><u><u>534,352</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.



**Onslow County Partnership for Children, Inc.**  
**Schedule of Qualifying Match (Non-GAAP)**  
**For the Year Ended June 30, 2016**

**Schedule 4**

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**Match Provided at the Partnership Level:**

Cash	\$ 1,190,992
In-Kind Goods and Services	<u>16,535</u>
	<u>\$ 1,207,527</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2015-241, Section 12B.7.(d). The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.



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

Board of Directors  
Onslow County Partnership for Children, Inc.  
Jacksonville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of Onslow County Partnership for Children, Inc., as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Onslow County Partnership for Children, Inc.'s basic financial statements, and have issued our report thereon dated February 8, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Elliott Davis Decosimo, PLLC*

Raleigh, North Carolina  
February 8, 2017



**Independent Auditor's Report on Compliance for Each Major  
Federal Program and Internal Control Over Compliance Required  
by the Uniform Guidance**

Board of Directors  
Onslow County Partnership for Children, Inc.  
Jacksonville, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Onslow County Partnership for Children, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of the Onslow County Partnership for Children, Inc.'s major federal programs for the year ended June 30, 2016. The Onslow County Partnership for Children, Inc.'s major federal programs are identified in the summary of the accompanying schedule of findings and question costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Onslow County Partnership for Children, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Onslow County Partnership for Children, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Onslow County Partnership for Children, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Onslow County Partnership for Children, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the Onslow County Partnership for Children, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Onslow County Partnership for Children, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Onslow County Partnership for Children, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Elliott David Decosimo, PLLC*

Raleigh, North Carolina  
February 8, 2017

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**Section I. Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified?  yes  no
- Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major federal programs:

- Material weakness identified?  yes  no
- Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the OMB Compliance Supplement  yes  no

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA Number</u>
Child Care & Development Cluster	93.596/93.575
North Carolina Pre-Kindergarten Program	93.558
Early Head Start	93.600

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee?  yes  no

**Section II. Financial Statement Findings**

None reported.

**Section III. Federal Award Findings and Questioned Costs**

None reported.

**ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
***SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS***  
***JUNE 30, 2016***

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None noted.