

FINANCIAL STATEMENT AUDIT REPORT OF
ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.
JACKSONVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017, 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 opinions 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, 2017, 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 21 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 basic 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 1, 2018 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, 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 Onslow County Partnership for Children, Inc.'s internal control over financial reporting and compliance.



Raleigh, North Carolina
February 1, 2018

Onslow County Partnership for Children, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2017

Exhibit A

	Unrestricted		Temporarily Restricted Funds	Total Funds
	Smart Start Funds	Other Funds		
Receipts:				
State Awards and Contracts	\$ 4,100,667	\$ 5,759,777	\$ -	\$ 9,860,444
Federal Awards	-	8,592,133	-	8,592,133
Private Contributions	-	188,295	118,421	306,716
Special Fund Raising Events	-	123,293	-	123,293
Interest and Investment Earnings	-	6	-	6
Sales Tax Refunds	-	17,527	-	17,527
Other Receipts	-	124,807	-	124,807
Total Receipts	4,100,667	14,805,838	118,421	19,024,926
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	9,561	(9,561)	-
	4,100,667	14,815,399	108,860	19,024,926
Expenditures:				
Programs:				
Child Care and Education Affordability	1,641,499	8,797,866	-	10,439,365
Child Care and Education Quality	1,146,250	68,176	-	1,214,426
Family Support	705,060	1,002,062	-	1,707,122
Health and Safety	-	83,364	-	83,364
NC Pre-K	-	4,362,469	-	4,362,469
Support:				
Fund Raising	-	23,037	-	23,037
Management and General	319,799	267,709	-	587,508
Program Coordination and Evaluation	288,059	3,171	-	291,230
Other Program Support	-	20,673	-	20,673
Other:				
Sales Tax Paid	-	17,069	-	17,069
Total Expenditures	4,100,667	14,645,596	-	18,746,263
Excess of Receipts Over Expenditures	-	169,803	108,860	278,663
Net Assets at Beginning of Year	-	198,045	233,947	431,992
Net Assets at End of Year	\$ -	\$ 367,848	\$ 342,807	\$ 710,655
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ -	\$ 360,613	\$ 342,807	\$ 703,420
	-	360,613	342,807	703,420
Funds Due From Others	-	7,235	-	7,235
TOTAL NET ASSETS	\$ -	\$ 367,848	\$ 342,807	\$ 710,655

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, 2017

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants
Smart Start Funds:								
Programs:								
Child Care and Education Affordability	\$ 1,641,499	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,561,499
Child Care and Education Quality	1,146,250	876,546	20,693	34,462	85,616	120,775	8,158	-
Family Support	705,060	314,616	24,745	18,577	46,691	61,022	4,764	234,645
	<u>3,492,809</u>	<u>1,271,162</u>	<u>45,438</u>	<u>53,039</u>	<u>132,307</u>	<u>181,797</u>	<u>12,922</u>	<u>1,796,144</u>
Support:								
Management and General	319,799	230,268	18,586	3,348	28,524	38,264	809	-
Program Coordination and Evaluation	288,059	240,080	10,648	1,591	18,474	16,872	394	-
	<u>607,858</u>	<u>470,348</u>	<u>29,234</u>	<u>4,939</u>	<u>46,998</u>	<u>55,136</u>	<u>1,203</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 4,100,667</u>	<u>\$ 1,741,510</u>	<u>\$ 74,672</u>	<u>\$ 57,978</u>	<u>\$ 179,305</u>	<u>\$ 236,933</u>	<u>\$ 14,125</u>	<u>\$ 1,796,144</u>
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 8,797,866	\$ 475,677	\$ 5,169	\$ 8,092	\$ 20,725	\$ 55,229	\$ 2,409	\$ 8,230,565
Child Care and Education Quality	68,176	40,149	1,350	4,457	10,277	4,050	5,426	2,467
Family Support	1,002,062	762,924	20,953	19,300	102,986	84,985	6,502	4,412
Health and Safety	83,364	34,364	614	21,650	11,759	1,720	2,307	10,950
NC Pre-K	4,362,469	141,765	1,421	30,699	5,755	10,656	573	4,171,600
	<u>14,313,937</u>	<u>1,454,879</u>	<u>29,507</u>	<u>84,198</u>	<u>151,502</u>	<u>156,640</u>	<u>17,217</u>	<u>12,419,994</u>
Support:								
Fund Raising	23,037	499	6,350	3,791	6,519	5,878	-	-
Management and General	267,709	176,895	11,545	15,273	40,850	15,111	8,035	-
Program Coordination and Evaluation	3,171	-	-	-	3,171	-	-	-
Other Program Support	20,673	-	17,108	3,547	18	-	-	-
	<u>314,590</u>	<u>177,394</u>	<u>35,003</u>	<u>22,611</u>	<u>50,558</u>	<u>20,989</u>	<u>8,035</u>	<u>-</u>
Other:								
Sales Tax Paid	17,069	-	-	17,069	-	-	-	-
	<u>17,069</u>	<u>-</u>	<u>-</u>	<u>17,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 14,645,596</u>	<u>\$ 1,632,273</u>	<u>\$ 64,510</u>	<u>\$ 123,878</u>	<u>\$ 202,060</u>	<u>\$ 177,629</u>	<u>\$ 25,252</u>	<u>\$ 12,419,994</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, 2017

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 Standard for *Not-For-Profit Entities*, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this Standard, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

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

The Onslow Partnership did not have any permanently restricted net assets at June 30, 2017.

- 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, 2017

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 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, 2017, 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:

Employee Accounts Payable	Debit	\$1,345
American Funds Payable	Credit	\$263
Health Insurance Payable	Debit	\$5,302
BCBS Dental Insurance	Debit	\$1,056
UNUM	Credit	\$12
United Way	Credit	\$193

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, 2017. Donated items are recorded on the property and equipment log at estimated fair market value at the date of donation, which is defined as the price that would be paid to acquire an asset with equivalent service capacity in an orderly market transaction at the acquisition date.

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.

ONSTLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 the Partnership 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, 2017, the Onslow Partnership's bank deposits in excess of the FDIC insured limit was \$14,148.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

Smart Start Program - The Onslow Partnership's major source of revenue and support is from the State of North Carolina based on cost-reimbursement contracts with The North Carolina Partnership for Children, Inc. (NCPC) for the Smart Start program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of the 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.

The Onslow Partnership was awarded and has received \$4,100,667 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 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, 2017.

ONSTLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS, CONTINUED

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 \$7,559,553 in federal dollars, \$1,209,996 in state dollars and expended \$8,726,245 under a prior year contract. The term of this contract was for June 1, 2016 through May 31, 2017.

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 \$8,841,254 and has expended \$39,367 under a current year contract. The term of this contract was for June 1, 2017 through May 31, 2018.

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 \$4,361,980 and received \$4,361,980 in state dollars and expended \$4,361,980 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 \$157,401 under a current year contract for payment of administrative and accounting services. The Onslow Partnership expended \$157,401 of this contract during the current year.

ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 \$141,999 for grant period January 1, 2016 to December 31, 2016. The Onslow Partnership has received \$104,607 and expended \$83,304 of this contract during the current year. In addition, the Onslow Partnership was awarded \$31,000 for the period April 17, 2017 to October 31, 2017.

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 \$30,445 and expended \$10,223 of this contract which ended July 31, 2016.

Early Head Start - The Onslow Partnership was awarded \$807,544 and has received \$476,875 and expended \$439,893 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, 2016 through December 31, 2016.

Early Head Start - The Onslow Partnership was awarded \$821,730 and has received \$387,172 and expended \$390,262 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, 2017 through December 31, 2017. The balance of the award of the contract will be received and expended after June 30, 2017.

Governor's Crime Commission - The Onslow Partnership has received \$4,786 under a prior year contract with the Governor's Crime Commission. The term of this contract was for July 1, 2015 through June 30, 2016.

Governor's Crime Commission - The Onslow Partnership has received \$78,392 and expended \$87,652 under a current year contract with the Governor's Crime Commission. The term of this contract is for July 1, 2016 through September 30, 2017. The balance of the award of the contract will be received and expended after June 30, 2017.

ONSWLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS, CONTINUED

National Children's Alliance – The Onslow Partnership has received \$9,000 under a prior year reimbursement contract with the National Children's Alliance. The term of the contract was for January 1, 2016 to December 31, 2016.

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 and received \$10,636 from a prior year grant.

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 \$32,374 and expended \$32,374. The term of the contract was July 1, 2016 to June 30, 2017.

CCSA Race To The Top – The Onslow Partnership was awarded \$2,900, received \$2,900 and expended \$2,025 from the North Carolina Department of Health and Human Services (DHHS) for both prior year and current year RTT-ELC grants. The RTT-ELC grants are a federally funded initiative to reduce disparities in school readiness among children with high needs and their peers.

Child Advocacy Centers of North Carolina (NCCAC) – The Onslow Partnership was awarded \$12,200, and received \$12,200 from the North Carolina Department of Health and Human Services (NCDHHS) for a prior year NCCAC grant. The NCCAC grant is a State funded initiative to help offset costs to run a child advocacy center. The term of the contract was July 1, 2015 thru June 30, 2016.

Child Advocacy Centers of North Carolina (NCCAC) – The Onslow Partnership was awarded \$24,200, received \$18,200 and expended \$24,200 from the North Carolina Department of Health and Human Services (NCDHHS) for a current year NCCAC grant. The NCCAC grant is a State funded initiative to help offset costs to run a child advocacy center. The term of the contract was July 1, 2016 thru June 30, 2017.

United Way of Onslow County – The Onslow Partnership was awarded \$5,000 as part of the Community Investment Programs of United Way of Onslow County. These funds were designated to help continue the Imagination Library Program. The term of the contract was July 1, 2016 to June 30, 2017.

ONSWLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS, CONTINUED

United Way of Onslow County – The Onslow Partnership was awarded \$7,000 as part of the Community Investment Programs of United Way of Onslow County. These funds were designated to expand the Mind-Up Suicide Prevention Program. The term of the contract was July 1, 2016 to June 30, 2017.

United Way of Onslow County – The Onslow Partnership was awarded \$12,000 as part of the Community Investment Programs of United Way of Onslow County. These funds were designated to the Child Advocacy Center to help offset costs associated with the Child Interview Specialist. The term of the contract was July 1, 2016 to June 30, 2017.

Duke Endowment Grant – The Onslow Partnership was awarded \$524,000, received \$129,000 and expended \$25,907 from the Duke Endowment for a four year grant. The purpose of this funding is multi-faceted. 1) Expand Incredible Years Basic (IY) Program and include Autism Spectrum Disorder (ASD). 2) Research study with the partnership of University of Maryland Baltimore on IY ASD.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Onslow Partnership are representative 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, 2017

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

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

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

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

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, 2017

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, 2017:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2018	\$ 348,691
2019	351,453
2020	<u>338,380</u>
Total Minimum Lease Payments	<u>\$ 1,038,524</u>

Rental expense for all operating leases during the year was \$358,683.

B. Capital Lease Obligations - Capital lease obligations relating to equipment are disclosed at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2017:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2018	<u>\$ 686</u>
Total Minimum Lease Payments	<u>\$ 686</u>

ONSTLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

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 the year ended June 30, 2017. Employees may make voluntary contributions to the Plan. For the year ended June 30, 2017, the Onslow Partnership contributed \$47,833.

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, 2017, is \$128,465. No funds or reservation of net assets has been made for this commitment.

ONSWLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - RESTRICTIONS ON NET ASSETS

- A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2017 are available for the following purposes:

Purpose	Amount
Child Advocacy Center	\$ 225,409
Imagination Library	6,675
Keeping Kids Safe	2,331
Keeping Kids Safe (USAA)	4,999
Duke Endowment Grant	103,093
Literacy Donations	300
	<u>\$ 342,807</u>

- B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2017, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Child Advocacy Center	\$ 969
Imagination Library	4,303
Keeping Kids Safe	2,126
Keeping Kids Safe (USAA)	2,163
	<u>\$ 9,561</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.

Financial Accounting Standards Board (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, 2017.

ONSTLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 12 - SUBSEQUENT EVENTS

The Onslow Partnership has evaluated events and transactions that occurred between June 30, 2017 and February 1, 2018 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, 2017 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, 2017.

Onslow County Partnership for Children, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2017

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
* PEERS - Adolescent Teen Parenting	\$ 154,210	\$ -	\$ -	\$ -
* PEERS - Parent Education Enhancement	73,650	-	-	-
7 Hills Learning LLC	-	-	3,329	-
A&R Investments of Burgaw, LLC	-	-	368	-
AAIPharma Services Corp	-	-	25,085	-
Abundance of Love & Learning	52,803	-	414,411	-
Adventure World CDC	-	-	15,783	-
All God's Children Childcare	-	-	2,492	-
All My Children Childcare, Inc	-	-	10,726	-
Baptist Educational Center	-	-	3,520	-
Bright Beginnings Christian	-	-	4,014	-
Brighter Beginnings CDC	-	-	14,816	-
Brookwood Baptist Church	45,129	-	324,197	-
Cadence Education, Inc	-	-	1,260	-
Carmelita Lee - DBA Heaven Sent	-	-	5,236	-
Carr's Academy LLC	-	-	4,519	-
Cedar Fork Mennonite Church	-	-	2,611	-
Charise Y. Clark-Brooks - DBA Tiny Blessings	455	-	14,476	-
Chevon W Trader - DBA Little Peoples	797	-	35,727	-
Child Development Center, Inc	-	-	7,802	-
Child Development School, Inc	-	-	2,250	-
Childcare Network #76	-	-	22,592	-
Childcare Network Inc. #77A	-	-	584	-
Childcare Network Inc. #79	27,821	-	124,097	-
Childcare Network Inc. #79B	-	-	129,385	-
Childcare Network Inc. #80	54,690	-	414,152	-
Childcare Network Inc. #81	51,576	-	428,841	-
Childcare Network Inc. #83	-	-	17,427	-
Children's Castle Childcare	46,396	-	543,010	-
Children's Castle II	3,600	-	580,378	-
Children's Castle School Age P	797	-	224,857	-
Children's Home Day Care	437	-	22,412	-
Children's Learning Center II	-	-	3,379	-
Cindy Hunsa - DBA Almonds Daycare	-	-	47	-
Cornerstone Assem. of God Inc	-	-	3,505	-
Creative Learning Ent., Inc	-	-	8,012	-
Creative Minds Preschool, Inc	-	-	12,894	-
Deep Run Child Care Center Inc	-	-	19,190	-
Dewitt Home Day Care	1,093	-	33,131	-
Discovery Place Child Care Ctr	-	-	19,555	-
Eastern Carolina Human	23,252	-	91,034	-
Excel Learning Center VIII LLC	179,858	-	952,771	-
Excel Learning Center, LLC	-	-	9,279	-
Excel Learning Centers I LLC	-	-	6,048	-
Excel Learning Centers II LLC	-	-	2,346	-
Excel Learning Centers IX LLC	46,827	-	383,803	-
Excel Learning Centers VI LLC	-	-	15,713	-
Excel Learning Centers X LLC	49,144	-	648,150	-
Excel Learning Centers XI LLC	79,751	-	681,795	-
Excel Learning Centers XII LLC	285,424	-	541,088	-
Excel Learning Centers XIV LLC	40,717	-	288,296	-
Farmer-N-Dell Learning Ctr,LLC	-	-	14,446	-
First Baptist Church, Inc.	-	-	16,730	-
First Friends Program LLC	-	-	563	-
Georgella Wright - DBA Loving Kindness	228	-	8,535	-
Grace Baptist Church	-	-	3,384	-
Happy Day Christian Childcare	5,248	-	152,886	-
Heart Works Safe Start Academy	-	-	1,209	-
Jean Parker - DBA Jeans House	-	-	22,781	-
Jolly Bee Childcare	22,048	-	100,272	-
Joseph and Shelia Perry - DBA Little Peoples Daycare	-	-	5,269	-
Josie C Crawford - DBA Babys World	-	-	5,547	-
Kiddie Kollege Infant Toddler	-	-	3,542	-
Kids & Company	-	-	22,400	-
Kids & Company Childcare	-	-	8,040	-

Onslow County Partnership for Children, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2017

Schedule 1, Continued

Kids Educational Center V, Inc	24,642	-	209,548	-
Laquesha Cadwallader - DBA Little Miracles	-	-	5,482	-
Lease Respus - DBA Lisa's Home Day Care	341	-	32,539	-
Lisa Pairis - DBA Old Landing Childcare	-	-	5,507	-
Little Kiddies Day Care	-	-	1,847	-
Lorraine Charles - DBA Charles ABC Childcare	219	-	29,318	-
Lynda's Play and Learn Too Inc	-	-	3,177	-
Nessa Love and Care Center	-	-	4,043	-
New Beginnings Child Care #II	49,372	-	755,997	-
New Beginnings Child Care #III	177,858	-	616,790	-
New Beginnings Child Care #IV	797	-	31,997	-
New Beginnings Child Care, Inc	154,989	-	377,886	-
NC Department of Revenue	-	-	158	-
NCDES	-	-	2,242	-
Noah's Ark Christian Preschool	1,749	-	30,896	-
Onslow County Child Development Center	19,096	-	225,408	-
Orange County Board of Ed	-	-	1,807	-
* Onslow County Schools	-	-	1,035,000	-
Phoenix Children's Academy	-	-	1,376	-
Playmates Child Care of	-	-	1,947	-
Pollocksville Presbyterian	-	-	10,567	-
Precious Resources Daycare	24,000	-	326,240	-
Precious Resources Inc	12,300	-	100,911	-
Progressive Child Development	-	-	21,552	-
Red Top Early Learning and	-	-	3,747	-
Rising Stars of North	-	-	1,445	-
Robyn's Nest Creative Learning	-	-	1,202	-
Sharon Holmes - DBA Lil Diamond Angels Childcare	437	-	6,234	-
Shelia Perry - DBA Little People's Daycare, Inc.	-	-	3,707	-
Shiloh Institute	30,869	-	232,155	-
Sneads Ferry Childcare Srvcs	-	-	94,745	-
Sneads Ferry Quality A/S	4,592	-	18,305	-
Southwest Elementary PreK	-	-	200	-
Spec	-	-	3,451	-
Star Search 2000 Child Care	-	-	38,117	-
Tailored Learning Center	-	-	12,317	-
Teachable Moments	35,007	-	259,093	-
The Hedrick Child Care Ctr Inc	-	-	7,393	-
The Learning Tree	-	-	292	-
The Right Start Family	-	-	1,896	-
Thompson Early Childhood Center	-	-	1,000	-
Valerie M. Turner - DBA Turner's In-Home Daycare Home	656	-	14,121	-
Wendy L Simpson - DBA Ms Wendy's Home Childcare	-	-	2,102	-
White Oak Childrens Ctr I & II	-	-	42,776	-
White Oak Church of God	-	-	1,328	-
Winter Park Baptist Church	-	-	1,627	-
Yopp Investments, LLC	-	-	12,339	-
	<u>1,782,875</u>	<u>-</u>	<u>12,077,824</u>	<u>-</u>
Individuals:				
List Programs Alphabetically	-	-	-	-
Early Head Start - Participant Child Care	-	-	112	-
Early Head Start - Participant Training	-	-	133	-
Early Head Start - Participant Travel	-	-	145	-
Early Head Start - Gas Cards	-	-	3,995	-
Imagination Library - Dollywood Foundation Participants (books)	-	-	9,303	-
Incredible Years - Participant Training	640	-	-	-
Incredible Years - Child Care for Classes	4,939	-	-	-
Safe Kids - Car Seats and Installation Accessories	-	-	2,467	-
Shape-NC - Participation Bonus/Stipend	-	-	-	-
Triple P - Incentives for Participants	100	-	-	-
Triple P - Participant Travel	50	-	-	-
Triple P - Childcare for Classes	1,056	-	-	-
YFC - Childcare for Classes	-	-	27	-
QEI and Three School - Individuals (See list)	6,484	-	-	-
Child Care Subsidy - Individuals (See list)	-	-	325,988	-
	<u>13,269</u>	<u>-</u>	<u>342,170</u>	<u>-</u>
	<u>\$ 1,796,144</u>	<u>\$ -</u>	<u>\$ 12,419,994</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
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2017**

Schedule 2

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
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				
Pass-through from Martin/Pitt Partnership for Children (Current Year)	93.575	3391-603	32,374	32,374
Pass-through from Martin/Pitt Partnership for Children (Prior Year)	93.575	3233-303	10,636	-
Race to the Top - Child Care Resource and Referral (Prior Year)	93.575	2770-603	2,900	2,025
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 (Prior Year)	93.596 **	62315	7,559,553	7,516,249
Pass-through from Onslow County (Current Year)	93.596 **	62315.17	-	39,367
Total Child Care and Development Cluster			<u>7,605,463</u>	<u>7,590,015</u>
Pass-through from the United States Department of Health and Human Services - Division of Child Development Administration For Children and Families, Office of Head Start				
Early Head Start (Prior Year)				
Early Head Start (Current Year)	93.600	04CH4779-02-00	476,875	439,893
	93.600	04CH4779-03-00	387,172	390,262
Pass-through from the North Carolina Department of Health and Human Services				
Pregnancy Assistance Fund Program - Young Family Connect (Current Year)				
	93.500	31817	30,445	10,223
Total Department of Health and Human Services			<u>894,492</u>	<u>840,378</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)				
Crime Victim Assistance (Current Year)	16.575	PROJ011152	4,786	-
	16.575	PROJ011152	78,392	87,652
Office of Juvenile Justice and Delinquency Prevention				
Pass-through from the National Children's Advocacy Centers of NC (Prior Year)				
	16.758	16-Jack-NC-SA16	9,000	-
Total United States Department of Justice			<u>92,178</u>	<u>87,652</u>
Total Federal Awards			<u>8,592,133</u>	<u>8,518,045</u>
State Awards:				
North Carolina Department of Health and Human Services Division of Child Development and Early Education				
Pass-through from the North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program (Current Year)				
	*		4,100,667	4,100,667
Multi-Partnership Accounting and Contracting Grant (Current Year)				
			157,401	157,401
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 (Prior Year)	*	62315	1,209,996	1,209,996
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
North Carolina Pre-Kindergarten Program (Current Year)				
	*	33539	4,361,980	4,361,980
North Carolina Department of Health and Human Services				
Child Advocacy Center Grant (Prior Year)				
		32027-16	12,200	-
Child Advocacy Center Grant (Current Year)		33727-17	18,200	24,200
Total State Awards			<u>9,860,444</u>	<u>9,854,244</u>
Total Federal and State Awards			<u>\$ 18,452,577</u>	<u>\$ 18,372,289</u>

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

** Major Programs per Uniform Guidance.

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
For the Year Ended June 30, 2017

Schedule 3

Furniture and Noncomputer Equipment	\$ 333,762
Computer Equipment/Printers	<u>128,857</u>
Total Property and Equipment	<u><u>\$ 462,619</u></u>

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

**Onslow County Partnership for Children, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2017**

Schedule 4

Match Provided at the Partnership Level:

Cash	\$ 1,081,094
In-Kind Goods and Services	<u>17,293</u>
	<u>\$ 1,098,387</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2016-94, 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, 2017, 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 1, 2018.

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.

A handwritten signature in cursive script that reads "Elliott Davis PLLC".

Raleigh, North Carolina
February 1, 2018



**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, 2017. 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, 2017.

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.



Raleigh, North Carolina
February 1, 2018

ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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

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, 2017

None noted.