

FINANCIAL STATEMENT AUDIT REPORT OF
ALAMANCE PARTNERSHIP FOR CHILDREN, INC.
BURLINGTON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2017

BOARD OF DIRECTORS
MARTHA KRALL, BOARD CHAIR

ADMINISTRATIVE OFFICER
CARRIE THEALL, EXECUTIVE DIRECTOR

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Exhibits	
A Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis	3
B Statement of Functional Expenditures - Modified Cash Basis	4
Notes to the Financial Statements	5
Supplementary Schedules	
1 Schedule of Contract and Grant Expenditures - Modified Cash Basis	14
2 Schedule of State Level Service Provider Contracts	15
3 Schedule of Federal and State Awards - Modified Cash Basis	16
4 Schedule of Property and Equipment – Modified Cash Basis	17
5 Schedule of Qualifying Match (Non-GAAP)	18
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19



Independent Auditor's Report

To the Board of Directors
Alamance Partnership for Children, Inc.
Burlington, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of Alamance 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 Alamance 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 2 on page 15 and schedule 5 on page 18 are not a required part of the basic financial statements but are 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 2 and schedule 5.

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 4, which are the responsibility of management, are presented for purposes of additional analysis and are 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 January 25, 2018, on our consideration of the Alamance 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 Alamance Partnership for Children, Inc.'s internal control over financial reporting and compliance.



Raleigh, North Carolina
January 25, 2018

Alamance Partnership for Children, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
As of and 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, Net of Refunds	\$ 858,347	\$ 2,291,549	\$ -	\$ 3,149,896
Federal Awards	-	26,077	-	26,077
Private Contributions	-	128,575	31,941	160,516
Sales Tax Refunds	-	3,529	-	3,529
Other Receipts	-	4,609	-	4,609
Total Receipts	858,347	2,454,339	31,941	3,344,627
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		41,956	(41,956)	-
	858,347	2,496,295	(10,015)	3,344,627
Expenditures:				
Programs:				
Child Care and Education Affordability	31,200	-	-	31,200
Child Care and Education Quality	163,569	27,771	-	191,340
Family Support	354,197	235,585	-	589,782
Health and Safety	-	1,256	-	1,256
NC Pre-K	-	2,140,252	-	2,140,252
Support:				
Management and General	145,944	47,091	-	193,035
Program Coordination and Evaluation	163,437	1,457	-	164,894
Other:				
Refund of Prior Year Grant	-	3,138	-	3,138
Sales Tax Paid	-	5,022	-	5,022
Total Expenditures	858,347	2,461,572	-	3,319,919
Excess of Receipts Over Expenditures	-	34,723	(10,015)	24,708
Net Assets at Beginning of Year	-	337,232	48,721	385,953
Net Assets at End of Year	\$ -	\$ 371,955	\$ 38,706	\$ 410,661
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ -	\$ 371,955	\$ 38,706	\$ 410,661
	-	371,955	38,706	410,661
TOTAL NET ASSETS	\$ -	\$ 371,955	\$ 38,706	\$ 410,661

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

Alamance Partnership for Children, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2017

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>
Smart Start Funds:								
Programs:								
Child Care and Education Affordability	\$ 31,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,200
Child Care and Education Quality	163,569	101,114	25,353	2,667	10,928	12,117	1,690	9,700
Family Support	354,197	231,205	1,910	3,236	29,459	49,521	1,690	37,176
	<u>548,966</u>	<u>332,319</u>	<u>27,263</u>	<u>5,903</u>	<u>40,387</u>	<u>61,638</u>	<u>3,380</u>	<u>78,076</u>
Support:								
Management and General	145,944	90,059	19,111	3,860	14,317	12,701	5,896	-
Program Coordination and Evaluation	163,437	134,706	14,139	266	4,232	10,094	-	-
	<u>309,381</u>	<u>224,765</u>	<u>33,250</u>	<u>4,126</u>	<u>18,549</u>	<u>22,795</u>	<u>5,896</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 858,347</u>	<u>\$ 557,084</u>	<u>\$ 60,513</u>	<u>\$ 10,029</u>	<u>\$ 58,936</u>	<u>\$ 84,433</u>	<u>\$ 9,276</u>	<u>\$ 78,076</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 27,771	\$ 23,805	\$ 733	\$ 101	\$ 2,993	\$ 139	\$ -	\$ -
Family Support	235,585	87,888	30,621	5,997	44,097	9,251	-	57,731
Health and Safety	1,256	-	-	194	-	-	-	1,062
NC Pre-K	2,140,252	68,462	2,091	10,661	3,322	8,591	-	2,047,125
	<u>2,404,864</u>	<u>180,155</u>	<u>33,445</u>	<u>16,953</u>	<u>50,412</u>	<u>17,981</u>	<u>-</u>	<u>2,105,918</u>
Support:								
Management and General	47,091	4,142	31,321	833	8,888	1,907	-	-
Program Coordination and Evaluation	1,457	-	-	17	-	-	1,440	-
	<u>48,548</u>	<u>4,142</u>	<u>31,321</u>	<u>850</u>	<u>8,888</u>	<u>1,907</u>	<u>1,440</u>	<u>-</u>
Other:								
Refund of Prior Year Grant	3,138	-	-	-	-	3,138	-	-
Sales Tax Paid	5,022	-	-	5,022	-	-	-	-
	<u>8,160</u>	<u>-</u>	<u>-</u>	<u>5,022</u>	<u>-</u>	<u>3,138</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 2,461,572</u>	<u>\$ 184,297</u>	<u>\$ 64,766</u>	<u>\$ 22,825</u>	<u>\$ 59,300</u>	<u>\$ 23,026</u>	<u>\$ 1,440</u>	<u>\$ 2,105,918</u>

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Alamance Partnership for Children, Inc. (Alamance Partnership) is a legally separate nonprofit organization incorporated on September 16, 1994. The Alamance Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Alamance 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 Alamance 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.

Permanently restricted net assets include gifts and contributions that are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Alamance Partnership.

The Alamance 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.

ALAMANCE 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. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Alamance Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Alamance 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 acquisition 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.
- F. 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.
- G. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Alamance 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.
- H. Qualifying Match and Contributions In-Kind** – Alamance Partnership, in accordance with applicable Smart Start legislation, reports qualifying match provided at both the Partnership and the contractor level; the qualifying match is reported in supplemental Schedule 5. The match includes cash received and expended at the Partnership level, which is included in the modified cash basis financial statements. The qualifying match reported on Schedule 5 for cash provided at the contractor level and for in-kind goods and services at both the Partnership and contractor levels is not recorded in the modified cash basis financial statements. In-kind contributions could be donated equipment, supplies, office space, or services. Alamance Partnership, also benefits from donor volunteer hours which do not require specific expertise but which are

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

donor volunteer hours which do not require specific expertise but which are nonetheless central to Person County Partnership for Children's operations. See supplemental Schedule 5 for more information on contributions in-kind.

NOTE 2 - DEPOSITS

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

Deposits over insured amounts subjects the Alamance Partnership to a concentration of credit risk. At June 30, 2017, the Alamance Partnership's bank deposits in excess of the FDIC insured limit was \$115,107.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

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

Associated with these contracts, the Alamance Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During the year, the North Carolina Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Alamance Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Alamance Partnership was awarded and has received \$858,347 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Alamance 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, 2017.

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

Child Care Services Association (CCSA) – The Alamance County Partnership also received revenue and support from regional CCSA to be used for child care resources and referral activities. Funding is based on a cost-reimbursement contract for qualified expenditures. The Alamance County Partnership was awarded \$ 24,637 and

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

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS, CONTINUED

received \$24,637. The Alamance Partnership for Children, Inc. incurred \$24,637 in expenses and has returned \$0 of the moneys received to CCSA based on financial status reports submitted to CCSA subsequent to June 30, 2017.

NC Pre K - The Alamance Partnership for Children, Inc. also received revenue and support from the State of NC for the Preschool Program. The Alamance Partnership for Children, Inc. was awarded and received \$2,157,757, under a current year contract. A significant reduction in the level of funding from the State could have an adverse effect on the operations of the Alamance Partnership for Children and represent s a concentration of risk as to the generation of revenue. The Alamance Partnership for Children, Inc. expects to receive this continued funding through a NC Pre K contract with the State.

Incredible Years - The Alamance Partnership for Children, Inc. also received revenue and support from the Department of Health and Human Services for the Incredible Years Program. The Alamance Partnership for Children, Inc. was awarded \$154,434 and received \$96,447 in fiscal year 2017. In addition, the Alamance Partnership for Children, Inc. received \$37,345 in fiscal year 2017 from prior year grants for the Incredible Years Program.

The Alamance Partnership expects to receive continued funding through the Incredible Years Program.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Alamance Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Alamance Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Alamance 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:

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

NOTE 5 - FUNCTIONAL EXPENDITURES, CONTINUED

A. Program Functions

Child Care and Education Affordability - Used to account for service activities 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.

Child Care and Education Quality - Used to account for service activities including quality enhancement, child care health consultations, child care resource and referral, professional development, literacy, child care substitutes, salary supplements, provider training, mentoring programs, health/safety training for child care professionals, special needs – support for child care professionals, child care data - workforce studies, learning materials and teaching aids, curriculum enhancements, child care needs and resources assessments, kindergarten orientation/transition, or health insurance benefits for child care providers.

Family Support - Used to account for service activities including family resource centers, parenting skills training, teen parent/child programs, ongoing parenting education, general family support, family crisis intervention, literacy projects, family literacy projects, transportation services, community outreach information and resources, home visiting or family support needs and resources assessments.

Health and Safety - Used to account for service activities including, comprehensive health services, prenatal/newborn services, comprehensive health support, child abuse and neglect intervention, special needs – early intervention services/special education, transportation to health services, health needs and resources assessment, or nutrition programs.

NC Pre K - Used to account for development and implementation of More at Four prekindergarten program for at-risk 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.

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

NOTE 5 - FUNCTIONAL EXPENDITURES, CONTINUED

B. Support Functions

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

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

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

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

NOTE 6 - OPERATING LEASE OBLIGATIONS

Operating Lease Obligations - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2017:

<u>Fiscal Year</u>	Amount
2018	\$ 97,667
2019	99,360
2020	100,582
2021	101,838
2022	100,042
Beyond 2022	654,709
Total Minimum Lease Payments	<u>\$ 1,154,198</u>

Rental expense for all operating leases during the year was \$97,724.

ALAMANCE 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 Alamance Partnership has an IRC Section 401(k) plan (Plan). All costs of administering the Plan are the responsibility of the Plan participants. The Alamance Partnership contributed up to 5% 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 Alamance Partnership contributed \$14,278

NOTE 8 - RISK MANAGEMENT

The Alamance 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 Alamance 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 Alamance 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 Alamance 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 \$7,320. No funds or reservation of net assets has been made for this commitment.

ALAMANCE 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
Imagination Library	\$ 27,665
LICC Minigrant	77
Reach Out and Read	1,783
Literacy Donations	4,233
Incredible Years Private	1,557
United Way PAT	2,720
Children’s Executive Oversight Committee	47
Incredible Years	624
	<u>\$ 38,706</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
Imagination Library	\$ 31,292
Reach Out and Read	1,000
Healthy Kids Day	1,993
Incredible Years Private	1,557
United Way PAT	2,720
Outdoor Learning Environment	194
Shape NC, II	3,200
	<u>\$ 41,956</u>

NOTE 11 - INCOME TAXES

The Alamance 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 Alamance Partnership does not believe there are any unrecognized tax benefits or costs as of June 30, 2017.

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

NOTE 12 - SUBSEQUENT EVENTS

The Alamance Partnership has evaluated events and transactions that occurred between June 30, 2017 and January 25, 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.

This information is an integral part of the financial statements.

Alamance 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	Due	Amount	Refund
Organizations:				
Alamance-Burlington School System	\$ -	\$ -	\$ 1,241,625	\$ -
* Alamance Community College	9,700	-	-	-
Beginning Visions CDC	-	-	117,000	-
Child Care Network	-	-	75,400	-
Creative Child Care	-	-	232,700	-
Dollywood Foundation	24,150	-	52,206	-
Excel Christian Academy	31,200	-	87,750	-
Lifespan Circle School	-	-	117,000	-
Regional Consolidated Services Head Start	-	-	175,650	-
	<u>65,050</u>	<u>-</u>	<u>2,099,331</u>	<u>-</u>
Individuals:				
Reach Out and Read Educational Materials	13,026	-	-	-
Program Materials	-	-	2,737	-
Incredible Years Incentives	-	-	3,850	-
	<u>13,026</u>	<u>-</u>	<u>6,587</u>	<u>-</u>
	<u>\$ 78,076</u>	<u>\$ -</u>	<u>\$ 2,105,918</u>	<u>\$ -</u>

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

Alamance Partnership for Children, Inc.
Schedule of State Level Service Provider Contracts
June 30, 2017

Schedule 2

Alamance County Department of Social Services	\$	810,525
Child Care Services Association - WAGE\$ Program		<u>349,673</u>
Total	\$	<u><u>1,160,198</u></u>

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards and Contracts.

Alamance Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2017

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
United States Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development Pass-through from Child Care Services Association Child Care Resource and Referral (Current Year)	93.575	32333-A-16	\$ 24,637	\$ 24,637
United States Department of Education Pass-through from the North Carolina Department of Health and Human Services Pass-through from North Carolina Partnership for Children, Inc. Data Capacity Building Project (Prior Year)	84.412	27706-A-15	1,440	1,440
Total Federal Awards			<u>26,077</u>	<u>26,077</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)		*	858,347	858,347
North Carolina Department of Health and Human Services: Division of Child Development and Early Education North Carolina Pre-Kindergarten Program (Current Year)		* #31825	2,157,757	2,140,252
North Carolina Department of Health and Human Services: Division of Child Development and Early Education Incredible Years (Prior Year)		#30405	37,345	-
Incredible Years (Current Year)		#32075	96,447	116,228
Total State Awards			<u>3,149,896</u>	<u>3,114,827</u>
Total Federal and State Awards			<u>\$ 3,175,973</u>	<u>\$ 3,140,904</u>

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

Alamance Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2017

Schedule 4

Furniture and Noncomputer Equipment	\$ 33,259
Computer Equipment/Printers	<u>79,217</u>
Total Property and Equipment	<u><u>\$ 112,476</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.

Alamance Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2017

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 151,394
In-Kind Goods and Services	<u>349,063</u>
	<u><u>\$ 500,457</u></u>

Match Provided at the Contractor Level:

Cash	\$ 103,404
In-Kind Goods and Services	<u>-</u>
	<u><u>\$ 103,404</u></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
Alamance Partnership for Children, Inc.
Burlington, 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 Alamance 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 Alamance Partnership for Children, Inc.'s basic financial statements, and have issued our report thereon dated January 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alamance 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 Alamance Partnership for Children, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Alamance 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 Alamance 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
January 25, 2018