

FINANCIAL STATEMENT AUDIT REPORT OF
ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.
JACKSONVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2018

BOARD OF DIRECTORS

MICHAEL YANIERO, BOARD CHAIR

ADMINISTRATIVE OFFICER

DAWN ROCHELLE, EXECUTIVE DIRECTOR

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 Financial Statements	5
Supplemental Schedules	
1 Schedule of Contract and Grant Expenditures - Modified Cash Basis	15
2 Schedule of Federal and State Awards - Modified Cash Basis	19
3 Schedule of Property and Equipment - Modified Cash Basis	21
4 Schedule of Qualifying Match (Non-GAAP)	22
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>	23
Independent Auditor's Report on Compliance with Each Major Federal Program and on Internal Control Required by the Uniform Guidance	25
Schedule of Findings and Questioned Costs	27
Summary Schedule of Prior Year Audit Findings	28

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 the 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, 2018, the related Statement of Functional Expenditures — Modified Cash Basis for the year then ended, and the related notes to the financial statements.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Onslow County Partnership for Children, Inc. as of June 30, 2018, and the results of its operations for the year then ended, in accordance with the 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.

Report on Supplementary Information

Schedule 4 on page 22 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 2) 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 March 7, 2019, on our consideration of the Onslow County Partnership for Children, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Onslow County Partnership for Children, Inc.'s internal control over financial reporting and compliance.



Raleigh, North Carolina
March 7, 2019

Onslow County Partnership for Children, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the year ended June 30, 2018

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Funds	Other Funds		
Receipts:				
State Awards and Contracts	\$ 4,100,667	\$ 4,751,782	\$ 16,996	\$ 8,869,445
Federal Awards	-	2,999,777	12,800	3,012,577
Private Contributions	-	40,049	117,987	158,036
Special Fundraising Events	-	67,898	-	67,898
Sales Tax Refunds	-	18,791	-	18,791
Other Receipts	-	126,011	-	126,011
Total Receipts	<u>4,100,667</u>	<u>8,004,308</u>	<u>147,783</u>	<u>12,252,758</u>
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions	-	119,199	(119,199)	-
	<u>4,100,667</u>	<u>8,123,507</u>	<u>28,584</u>	<u>12,252,758</u>
Expenditures:				
Programs:				
Child Care and Education Affordability	1,631,149	2,051,912	-	3,683,061
Child Care and Education Quality	1,056,937	56,177	-	1,113,114
Family Support	844,772	1,259,718	-	2,104,490
Health and Safety	-	31,000	-	31,000
NC Pre-K	-	4,403,332	-	4,403,332
Support:				
Fundraising	-	4,904	-	4,904
Management and General	319,799	261,180	-	580,979
Program Coordination and Evaluation	248,010	4,896	-	252,906
Other Program Support	-	145,004	-	145,004
Other:				
Sales Tax Paid	-	22,776	-	22,776
Total Expenditures	<u>4,100,667</u>	<u>8,240,899</u>	<u>-</u>	<u>12,341,566</u>
Excess (Deficiency) of Receipts Over Expenditure:	-	(117,392)	28,584	(88,808)
Net Assets at Beginning of Year	-	367,849	342,807	710,656
Net Assets at End of Year	<u>\$ -</u>	<u>\$ 250,457</u>	<u>\$ 371,391</u>	<u>\$ 621,848</u>
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ -	\$ 248,360	\$ 371,391	\$ 619,751
	-	248,360	371,391	619,751
Funds Held for Others	-	2,097	-	2,097
Total Net Assets	<u>\$ -</u>	<u>\$ 250,457</u>	<u>\$ 371,391</u>	<u>\$ 621,848</u>

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, 2018

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	\$ 1,631,149	\$ 65,840	\$ -	\$ 3,255	\$ -	\$ 456	\$ 99	\$ 1,561,499
Child Care and Education Quality	1,056,937	811,074	16,831	17,138	67,684	117,917	26,293	-
Family Support	844,772	418,442	11,895	35,516	66,912	61,310	26,650	224,047
	<u>3,532,858</u>	<u>1,295,356</u>	<u>28,726</u>	<u>55,909</u>	<u>134,596</u>	<u>179,683</u>	<u>53,042</u>	<u>1,785,546</u>
Support:								
Management and General	319,799	235,298	16,523	6,654	20,990	39,548	786	-
Program Coordination and Evaluation	248,010	207,487	2,690	1,773	20,201	14,828	1,031	-
	<u>567,809</u>	<u>442,785</u>	<u>19,213</u>	<u>8,427</u>	<u>41,191</u>	<u>54,376</u>	<u>1,817</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 4,100,667</u>	<u>\$ 1,738,141</u>	<u>\$ 47,939</u>	<u>\$ 64,336</u>	<u>\$ 175,787</u>	<u>\$ 234,059</u>	<u>\$ 54,859</u>	<u>\$ 1,785,546</u>
Other funds:								
Programs:								
Child Care and Education Affordability	\$ 2,051,912	\$ 449,605	\$ 4,941	\$ 5,334	\$ 19,068	\$ 60,414	\$ 5,385	\$ 1,507,165
Child Care and Education Quality	56,177	42,217	1,953	1,360	7,035	1,686	718	1,208
Family Support	1,259,718	890,211	78,187	34,829	118,989	93,002	28,175	16,325
Health and Safety	31,000	11,568	190	6,609	10,862	46	1,725	-
NC Pre-K	4,403,332	231,489	634	74,666	19,605	12,362	11,326	4,053,250
	<u>7,802,139</u>	<u>1,625,090</u>	<u>85,905</u>	<u>122,798</u>	<u>175,559</u>	<u>167,510</u>	<u>47,329</u>	<u>5,577,948</u>
Support:								
Fundraising	4,904	629	-	1,001	3,274	-	-	-
Management and General	261,180	185,924	5,349	7,262	43,229	15,933	3,483	-
Program Coordination and Evaluation	4,896	-	-	-	4,589	307	-	-
	<u>270,980</u>	<u>186,553</u>	<u>5,349</u>	<u>8,263</u>	<u>51,092</u>	<u>16,240</u>	<u>3,483</u>	<u>-</u>
Other:								
Other Program Support	145,004	96,129	13,406	14,650	5,252	3,272	9,291	3,004
Sales Tax Paid	22,776	-	-	22,776	-	-	-	-
	<u>167,780</u>	<u>96,129</u>	<u>13,406</u>	<u>37,426</u>	<u>5,252</u>	<u>3,272</u>	<u>9,291</u>	<u>3,004</u>
Total Other Funds Expenditures	<u>\$ 8,240,899</u>	<u>\$ 1,907,772</u>	<u>\$ 104,660</u>	<u>\$ 168,487</u>	<u>\$ 231,903</u>	<u>\$ 187,022</u>	<u>\$ 60,103</u>	<u>\$ 5,580,952</u>

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

ONSWLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018.

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

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

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

ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Funds held for 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, 2018, the Onslow Partnership was holding amounts withheld from employee paychecks for distribution to authorities as well as awaiting payments from employees for insurance premiums as follows:

American funds payable	Credit	\$	263
Retirement contribution payable	Debit		25
Health insurance payable	Debit		1,558
BCBS dental insurance	Debit		788
Pre-paid legal	Debit		78
UNUM	Credit		12
United Way	Credit		77
		\$	<u>2,097</u>

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, 2018. 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.

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.

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.

ONLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the Onslow Partnership's bank deposits in excess of the FDIC insured limit was \$8,649.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

Smart Start Program - One of 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, 2018.

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 \$1,809,176 in federal dollars, \$233,807 in state dollars and expended \$2,003,656 under a prior year contract. The term of this contract was for June 1, 2017 through May 31, 2018.

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 \$548,390 and has expended \$44,669 under a current year contract. The term of this contract was for June 1, 2018 through May 31, 2019.

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 \$4,449,220 and received \$4,287,129 in state dollars, \$87,240 in federal dollars and expended \$4,402,209 under a current year contract.

ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS, CONTINUED

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 \$158,273 under a current year contract for payment of administrative and accounting services. The Onslow Partnership expended \$158,273 of this contract during the current year.

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

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 \$31,000 in federal funds for grant period April 17, 2017 to August 31, 2017. The Onslow Partnership received \$31,000 and expended \$31,000 during the current year.

The Onslow Partnership does not expect to receive additional funding.

Early Head Start - The Onslow Partnership was awarded \$821,730 and received \$442,581 in federal funds and expended \$439,491 under a contract with the US Department of Health and Human Services Administration for Children and Families for an Early Head Start Grant. The term of this contract was January 1, 2017 through December 31, 2017.

Early Head Start - The Onslow Partnership was awarded \$850,821 and has received \$342,328 in federal funds and expended \$378,787 under a contract with the US Department of Health and Human Services Administration for Children and Families for an Early Head Start Grant. The term of this contract is January 1, 2018 through December 31, 2018. The balance of the award of the contract will be received and expended after June 30, 2018.

The Onslow Partnership expects to receive continued funding through new contracts with the US Department of Health and Human Services.

Governor's Crime Commission - The Onslow Partnership has received \$37,713 in federal funds from the North Carolina Department of Public Safety and expended \$28,454 under a prior year contract with the Governor's Crime Commission. The term of this contract is for July 1, 2016 through September 30, 2017.

Governor's Crime Commission - The Onslow Partnership was awarded \$266,418 under a two year contract for Child Advocacy Center Services. The Onslow Partnership has received \$87,198 in federal funds from the North Carolina Department of Public Safety and expended \$99,546 under a current year contract with the Governor's Crime Commission. The term of this contract is for October 1, 2017 through September 30, 2019.

ONSWLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS, CONTINUED

Governor's Crime Commission - The Onslow Partnership was awarded \$439,965 under a two year contract with the North Carolina Department of Public Safety for Enhanced Victim Services.

The Onslow Partnership has expended \$40,336 under a current year contract with the Governor's Crime Commission. The term of this contract is for October 1, 2017 through September 30, 2019.

The Onslow Partnership expects to receive continued funding through new contracts with the Department of Public Safety/Governor's Crime Commission.

National Children's Alliance - The Onslow Partnership has received and expended \$7,000 under a prior year reimbursement contract with the National Children's Alliance. The term of the contract was for January 1, 2017 to December 31, 2017.

The Onslow Partnership does not expect to receive additional funding at this time.

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, 2017 to June 30, 2018.

The Onslow Partnership expects to receive continued funding through new contracts with MPPFC.

Child Advocacy Centers of North Carolina (NCCAC) - The Onslow Partnership received \$6,000 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, 2016 thru June 30, 2017.

Child Advocacy Centers of North Carolina (NCCAC) - The Onslow Partnership was awarded \$50,000, expended 50,000 and received \$39,730 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, 2017 thru June 30, 2018.

The Onslow Partnership expects to receive continued funding through new contracts with NCCAC.

ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Note 3 - Funding from Grant Awards and Contracts, Continued

Dolly Parton Imagination Library Expansion Grant - The Onslow Partnership was awarded a grant from NCPC contingent upon enrollment figures captured during the current fiscal year. The Onslow Partnership expended \$26,843 and received \$42,889. These funds were designated to saturate Onslow County with information and enrollment into the Dolly Parton Imagination Library Program. The term of the contract was July 1, 2017 to June 30, 2018.

The Onslow Partnership expects to receive continued funding through contracts with the State through June 30, 2019.

21st Century Community Learning Centers - The Onslow Partnership was awarded \$821,871 from the North Carolina Department of Public Instruction as part of a three-year grant. The Onslow Partnership expended \$144,671 and received \$123,168 in federal funds. These funds were designated to create the LEAD afterschool program. The term of this contract is July 1, 2017 to September 30, 2018.

The Onslow Partnership expects to receive continued funding through new contracts with NCDPI.

Duke Endowment Grant - The Onslow Partnership was awarded \$524,000, received \$128,000 and expended \$128,717 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.

The Onslow Partnership expects to receive continued funding as this is a four-year grant 2017 - 2021.

Child Care Subsidy (one-time allocation) - The Onslow Partnership was awarded \$9,000 as a one-time allocation for work completed to make system adjustments during the current fiscal year. The Onslow Partnership received \$9,000 of federal funds.

Early Head Start (one-time allocation) - The Onslow Partnership was awarded \$4,750 in order to support EHS staff and families related to trauma. The Onslow Partnership received \$3,800 of federal funds and \$950 in state funds.

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.

ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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. 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.

ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - FUNCTIONAL EXPENDITURES, CONTINUED

B. Support Functions (continued)

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.

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, 2018:

<u>Fiscal Year</u>	<u>Operating Lease</u>
2019	\$ 350,265
2020	339,470
Total minimum lease payments	<u>\$ 689,735</u>

Rental expense for all operating leases during the year was \$354,959.

B. Capital Lease Obligations - Capital lease obligations relating to equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2018:

<u>Fiscal Year</u>	<u>Operating Lease</u>
2019	\$ 2,561
2020	2,561
2021	2,561
2022	2,561
2023	854
Total minimum lease payments	<u>\$ 11,098</u>

ONLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018. Employees may make voluntary contributions to the Plan. For the year ended June 30, 2018, the Onslow Partnership contributed \$65,546.

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, 2018, is \$136,448. No funds or reservation of net assets has been made for this commitment.

Note 10. Restrictions on Net Assets

- A. Temporarily restricted net assets** - Temporarily restricted net assets at June 30, 2018 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Child Advocacy Center	\$ 228,013
Imagination Library	4,575
EHS Grant for Trauma	950
EHS Grant for Trauma	3,800
Child Care Subsidy One Time Allocation	9,000
Keeping Kids Safe	2,300
Keeping Kids Safe (USAA)	4,331
Incredible Years Basic (IY)/ Autism Spectrum Disorder (ASD) Programs	102,376
Dolly Parton Imagination Library	16,046
	<u>\$ 371,391</u>

- B. Net assets released from donor restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2018, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Child Advocacy Center	\$ 7,431
Imagination Library	6,675
Keeping Kids Safe	1,031
Keeping Kids Safe (USAA)	669
Incredible Years Basic (IY)/ Autism Spectrum Disorder (ASD) Programs	103,093
Literacy	300
	<u>\$ 119,199</u>

NOTE 11. INCOME TAXES

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

FASB ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing financial statements to determine whether the tax positions are “more-likely-than-not” to be sustained by the applicable tax authority.

The Onslow Partnership does not believe there are any unrecognized tax benefits or costs as of June 30, 2018.

NOTE 12. SUBSEQUENT EVENTS

The Onslow Partnership has evaluated events and transactions that occurred between June 30, 2018 and March 7, 2019, 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, 2018 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, 2018.

Onslow County Partnership for Children, Inc.
Schedule of Contract and Expenditures - Modified Cash Basis
For the year ended June 30, 2018

Schedule 1

	Smart Start Funds		Other Funds	
	Amount Advance	Refund Due	Amount Advanced	Refund Due
Organizations:				
PEERS - Adolescent Teen Parenting	* \$ 140,110	\$ -	\$ -	\$ -
PEERS - Parent Education Enhancement	* 74,896		-	
Excel Learning Center VIII LLC	126,804		-	
Excel Learning Centers XI LLC	123,979		-	
Excel Learning Centers XII LLC	248,508		-	
New Beginnings Child Care #III	127,201		-	
New Beginnings Child Care, Inc.	126,009		-	
Abundance of Love & Learning	57,191		116,025	
Brookwood Baptist Church	2,850		-	
Childcare Network Inc. #79	16,532		-	
Childcare Network Inc. #79B	1,225		115,700	
Childcare Network Inc. #80	55,243		106,300	
Childcare Network Inc. #81	53,951		106,800	
Children's Castle Childcare	19,572		-	
Children's Castle School Age	-		116,025	
Excel Learning Center VIII LLC	37,989		452,900	
Excel Learning Centers IX LLC	64,024		-	
Excel Learning Centers X LLC	51,000		221,950	
Excel Learning Centers XI LLC	32,501		335,500	
Excel Learning Centers XII LLC	22,236		340,925	
Excel Learning Centers XIV LLC	52,419		-	
Jolly Bee Childcare	17,207		-	
Kids Educational Center V, Inc	26,699		-	
New Beginnings Child Care #I	-		224,025	
New Beginnings Child Care #III	57,516		332,775	
New Beginnings Child Care #III	45,118		331,175	
New Beginnings Child Care, Inc.	29,964		-	
Onslow County Child	34,877		-	
Onslow County Schools	* -		1,022,400	
Precious Resources Inc	34,347		230,750	
Shiloh Institute	31,047		-	
Sneads Ferry Childcare Svcs	17,922		-	
Sneads Ferry Quality A/S	851		-	
Teachable Moments	46,717		5	
A&R Investments of Burgaw, LLC	-		1,876	
AAIPharma Services Corp	-		4,194	
Abundance of Love & Learning	-		63,209	
Adventure World CDC	-		1,236	
All My Children Childcare, Inc	-		1,731	
Baptist Educational Center	-		1,153	
Bright Beginnings Christian	-		2,982	
Bright Beginnings CDC	-		5,034	

Onslow County Partnership for Children, Inc.
Schedule of Contract and Expenditures - Modified Cash Basis
For the year ended June 30, 2018

Schedule 1

	Smart Start Funds		Other Funds	
	Amount Advance	Refund Due	Amount Advanced	Refund Due
Organizations, continued:				
Brookwood Baptist Church	-		69,858	
Carmelita Lee - DBA Heaven Sent	-		861	
Cedar Fork Mennonite Church	-		650	
Charise Y. Clark-Brooks-DBA Tiny Blessings	-		3,664	
Child Development Center, Inc	-		1,992	
Childcare Network #127	-		610	
Childcare Network #74	-		479	
Childcare Network #79	-		18,710	
Childcare Network #79B	-		1,634	
Childcare Network #80	-		58,946	
Childcare Network #81	-		54,891	
Childcare Network #83	-		2,736	
Children's Castle Childcare	-		98,471	
Children's Castle II	-		86,590	
Children's Castle School Age P	-		27,364	
Children's Home Day Care	-		2,389	
Children's Learning Center II	-		521	
Creative Learning Ent., Inc	-		2,132	
Creative Minds Preschool, Inc	-		2,918	
Deep Run Child Care Center Inc	-		4,996	
Dewitt Home Day Care	-		5,830	
Discovery Place Child Care Center	-		1,468	
Eastern Carolina Human	-		6,959	
Excel Learning Center VIII LLC	-		71,856	
Excel Learning Center LLC	-		1,173	
Excel Learning Centers II LLC	-		2,141	
Excel Learning Centers IX LLC	-		70,403	
Excel Learning Centers VI LLC	-		1,461	
Excel Learning Centers X LLC	-		74,708	
Excel Learning Centers XI LLC	-		46,396	
Excel Learning Centers XII LLC	-		36,153	
Excel Learning Centers XIV LLC	-		61,060	
Farmer-N-Dell Learning Ctr, LLC	-		2,463	
First Baptist Church, Inc.	-		1,871	
Georgella Wright-DBA Loving Kindness	-		717	
Happy Day Christian Childcare	-		30,596	
Jean Parker - DBA Jeans House	-		2,330	
Jolly Bee Childcare	-		23,289	
Kids & Company	-		5,876	
Kids Educational Center V, Inc	-		48,633	
Koala Day Care & Creative	-		2,605	
Lease Respus-DBA Lisa's Home Day Care	-		5,134	
Lorraine Charles-DBA Charles ABC Childcare	-		1,972	

Onslow County Partnership for Children, Inc.
Schedule of Contract and Expenditures - Modified Cash Basis
For the year ended June 30, 2018

Schedule 1

	Smart Start Funds		Other Funds	
	Amount Advance	Refund Due	Amount Advanced	Refund Due
Organizations, continued:				
Milestones Learning Center LLC	-		1,137	
New Beginnings Child Care #II	-		77,437	
New Beginnings Child Care #III	-		72,377	
New Beginnings Child Care #IV	-		1,463	
New Beginnings Child Care, Inc.	-		21,444	
Noah's Ark Christian Preschool	-		8,064	
Onslow County Child	-		47,762	
Orange County Board of Ed	-		66	
Pollocksville Presbyterian	-		3,722	
Precious Resources Inc	-		28,261	
Progressive Child Development	-		2,442	
Sharon Holmes-DBA Lil Diamond Angels	-		2,155	
Shelia Perry-DBA Little People's Daycare	-		535	
Shiloh Institute	-		44,879	
Sneads Ferry Childcare Srvcs	-		19,713	
Spec	-		2,823	
Tailored Learning Center	-		1,571	
Teachable Moments	-		53,392	
Tenda-Lovin-Care, LLC	-		1,958	
The Hedrick Child Care Ctr Inc	-		995	
The Learning Tree	-		1,286	
Valerie M. Turner-DBA Turner's In-Home	-		1,934	
Wendy L Simpson-DBA Ms Wendy's	-		1,569	
White Oak Childrens Ctr I & II	-		5,964	
White Oak Church of God	-		136	
Yopp Investments, LLC	-		1,278	
Young Memories Learning Center	-		479	
YWCA of Lower Cape Fear Inc	-	-	3,564	-
	<u>1,776,505</u>	<u>-</u>	<u>5,488,582</u>	<u>-</u>
Individual:				
Early Head Start-Participant Child Care			74	
Early Head Start-Participant Training	-		364	
Early Head Start-Gas Cards	-		2,000	
Imagination Library-Dollywood Fdn	-		9,180	
Incredible Years-Incentives for Partic.	1,019		-	
Incredible Years-Participant Travel	244		-	
Incredible Years-Child Care for Classes	4,643		1,513	
Safe Kids-Car Seats	-		669	
Safe Kids-Participant Training	-		225	
Safe Kids-Participant Travel	-		314	
Triple P-Incentives for Participants	698		-	
Triple P-Childcare for Classes	2,437		-	

Onslow County Partnership for Children, Inc.
Schedule of Contract and Expenditures - Modified Cash Basis
For the year ended June 30, 2018

Schedule 1

	Smart Start Funds		Other Funds	
	Amount Advance	Refund Due	Amount Advanced	Refund Due
Individual, continued:				
DUKE-Incentives for Participants	-		568	
DUKE-Childcare for Classes	-		2,625	
21st Century CLC-Participant Training	-		3,004	
Child Care Subsidy-Individuals	-	-	71,834	-
	<u>9,041</u>	<u>-</u>	<u>92,370</u>	<u>-</u>
	<u>\$ 1,785,546</u>	<u>\$ -</u>	<u>\$ 5,580,952</u>	<u>\$ -</u>

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

Onslow County Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the year ended June 30, 2018

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				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development Child Development and Early Education				
Pass-through from Martin/Pitt Partnership for Children				
Child Care Resource and Referral (current year)	93.575	3543-303	\$ 32,374	\$ 32,374
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development and Early Education				
Child Care and Development Fund (NC Pre-K) (current year)	93.575	34959	87,240	87,240
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development Child Care and Development and Early Education				
Block Grant				
Pass-through from Onslow County (prior year)	93.596	62315.17	1,809,176	1,769,849
Pass-through from Onslow County (current year)	93.596	62315.18	-	44,669
Pass-through from Onslow County (current year)	93.596	N/A	9,000	-
Total Child Care and Development Fund Cluster			<u>1,937,790</u>	<u>1,934,132</u>
United States Department of Health and Human Services				
Administration for Children and Families, Office of Head Start				
Early Head Start (prior year)	** 93.600	04CH4799-03-00	442,580	439,491
Early Head Start (current year)	** 93.600	04CH4799-04-01	342,328	378,787
United States Department of Health and Human Services				
Administration for Children and Families, Office of Head Start				
Early Head Start (current year)	** 93.600	N/A	3,800	-
United States Department of Health and Human Services				
Pass-through from the Corporation for National and Community Service Social Innovation Fund				
Pass-through from the North Carolina Partnership for Children, Inc.				
Social Innovation Fund Grant Shape-NC SIF (prior year)	94.019	600:16/17-018	31,000	31,000
Total United States Department of Health and Human Services			<u>2,757,498</u>	<u>2,783,410</u>
United States Department of Education				
Pass-through from the North Carolina Department of Public Instruction				
21st Century Community Learning Centers (current year)	84.287C	S287C170033	123,168	144,671
United States Department of Justice				
Pass-through from the North Carolina Department of Crime Control and Public Safety - Governor's Crime Commission				
Crime Victim Assistance (Prior year)	16.575	PROJ011152	37,713	28,454
Crime Victim Assistance (Current Year)	16.575	PROJ012376	87,198	99,546
Enhanced Victims Services (Current year)	16.575	PROJ012377	-	40,336
United States Department of Justice				
Office of Juvenile Justice and Delinquency Prevention				
Pass-through from the National Children's Alliance to Children's Advocacy Centers of NC (prior year)				
	16.758	16-Jack-NC-SA17	7,000	7,000
Total United States Department of Justice			<u>131,911</u>	<u>175,336</u>
Total Federal awards			<u>3,012,577</u>	<u>3,103,417</u>

Onslow County Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the year ended June 30, 2018

Schedule 2

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</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			158,273	158,273
Dolly Parton Imagination Library Expansion (current year)		N/A	42,889	26,843
North Carolina Department of Health and Human Services				
Division of Social Services				
Pass-through from the Child Advocacy Centers of NC				
Child Advocacy Center Grant (prior year)		33727	6,000	-
Child Advocacy Center Grant (current year)		35502	39,730	50,000
North Carolina Department of Health and Human Services				
Division of Child Development Child Care Development and Early Education				
Child Care and Development Block Grant				
Pass-through from Onslow County (current year)		62315.17	233,807	233,807
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
North Carolina Pre-Kindergarten Program (current year)	*	34959	4,287,129	4,314,969
North Carolina Department of Public Instruction				
Early Head Start (current year)			950	-
Total State awards			<u>8,869,445</u>	<u>8,884,559</u>
Total Federal and State awards			<u>\$ 11,882,022</u>	<u>\$ 11,987,976</u>

* Programs for which non-compliance with certain provisions of laws, regulations, contracts and regulations could have a direct and material effect on the financial statements.

** Major programs per Uniform Guidance

Note 1: Basis of Presentation

The accompanying schedule of expenditures of Federal and State awards (SEFSA) includes the federal and State grant activity of the Partnership under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Partnership, it is not intended to and does not present the financial position, changes in net position or cash flows of the Partnership.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Partnership has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Onslow County Partnership for Children, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the year ended June 30, 2018

Schedule 3

Furniture and noncomputer equipment	\$ 324,498
Computer equipment/printers	<u>175,675</u>
Total property and equipment	<u><u>\$ 500,173</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, 2018

Schedule 4

Match provided at the partnership level:

Cash	\$ 1,164,064
In-kind goods and services	31,087
	<u>\$ 1,195,151</u>

Match provided at the contractor level:

Cash	\$ -
In-kind goods and services	8,655
	<u>\$ 8,655</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2017-57, Section 11B.8.(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.

The amounts shown above as allowable for this partnership in meeting its match requirement do not include allowable amounts included in the North Carolina Families Accessing Services through Technology (NCFAST) system, as this information is currently available only on a State level for FYE 30 Jun 18. For FYE 30 Jun 18 Smart Start met the legislative statewide match requirement and will be waiving penalties for local partnerships that do not meet their match requirement for FYE 30 Jun 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
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, 2018, 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 March 7, 2019.

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 the Onslow County Partnership for Children Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Elliott Davis, PLLC

Raleigh, North Carolina
March 7, 2019



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, 2018. 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, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Elliott Davis, PLLC

Raleigh, North Carolina
March 7, 2019

ON SLOW COUNTY PARTNERSHIP FOR CHILDREN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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>
Early Head Start	93.600

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

Auditee qualified as low-risk auditee? yes no

Section II. Financial Statement Findings

None reported.

Section III. Federal Award Findings and Questioned Costs

None reported.

ONslow COUNTY PARTNERSHIP FOR CHILDREN, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2018

None noted.