

FINANCIAL STATEMENT AUDIT REPORT OF
ASHE COUNTY PARTNERSHIP FOR CHILDREN
JEFFERSON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2018

BOARD OF DIRECTORS
JULIE B. LANDRY, BOARD CHAIR

ADMINISTRATIVE OFFICER
KIM BARNES, EXECUTIVE DIRECTOR

Ashe County Partnership for Children

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Independent Auditor's Report

To Board Members of
Ashe County Partnership for Children
Jefferson, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of Ashe County Partnership for Children, which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2018, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Receipts, Expenditures and Net Assets of the Ashe County Partnership for Children, as of and for the year ended June 30, 2018, and the Statement of Functional Expenditures 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 the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Schedule 2 on page 22 and Schedule 5 on page 26 are 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 Schedules 2 and 5.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Ashe County Partnership for Children. The accompanying supplementary Schedules 1, 3, and 4 are also presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in 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, 2019, on our consideration of Ashe County Partnership for Children's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Ashe County Partnership for Children's 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 Ashe County Partnership for Children's internal control over financial reporting and compliance.



Charlotte, North Carolina
January 25, 2019

Ashe County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2018

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Permanently Restricted Funds	Total Funds
	Smart Start Fund	Other Funds			
Receipts:					
State Awards and Contracts	\$ 286,228	\$ 194,067	\$ 21,544	\$ -	\$ 501,839
Federal Awards	-	139,738	-	-	139,738
Local Awards	-	15,000	-	-	15,000
Private Contributions	-	118,761	6,526	-	125,287
Special Fund Raising Events	-	9,009	-	-	9,009
Interest and Investment Earnings	-	146	-	-	146
Sales Tax Refunds	-	7,565	-	-	7,565
Other Receipts	-	30,337	-	-	30,337
Total Receipts	286,228	514,623	28,070	-	828,921
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	-	7,057	(7,057)	-	-
	286,228	521,680	21,013	-	828,921
Expenditures:					
Programs:					
Child Care and Education Quality	93,687	13,348	-	-	107,035
Family Support	60,416	127,601	-	-	188,017
Domestic Violence & Sexual Assault Prevention/Intervention	-	261,370	-	-	261,370
Support:					
Management and General	88,252	15,788	-	-	104,040
Program Coordination and Evaluation	43,873	807	-	-	44,680
Other:					
Building Purchase, Renovation, & Relocation	-	331,201	-	-	331,201
Sales Tax Paid	-	5,937	-	-	5,937
Total Expenditures	286,228	756,052	-	-	1,042,280
Excess (Deficiency) of Receipts Over Expenditures	-	(234,372)	21,013	-	(213,359)
Net Assets at Beginning of Year	-	217,196	10,319	10,000	237,515
Net Assets at End of Year	\$ -	\$ (17,176)	\$ 31,332	\$ 10,000	\$ 24,156
Net Assets Consisted of:					
Cash and Cash Equivalents	\$ -	\$ (16,865)	\$ 31,332	\$ -	\$ 14,467
Beneficial Interest in the Community Foundation	-	-	-	10,000	10,000
	-	(16,865)	31,332	10,000	24,467
Less: Due to State	-	311	-	-	311
Total Net Assets	\$ -	\$ (17,176)	\$ 31,332	\$ 10,000	\$ 24,156

The Accompanying Notes are an Integral Part of the Financial Statements.

Ashe County Partnership for Children
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 Fund:								
Programs:								
Child Care and Education Quality	\$ 93,687	\$ 58,438	\$ 3,170	\$ 2,114	\$ 22,985	\$ 2,716	\$ 4,264	\$ -
Family Support	60,416	54,473	-	373	1,623	3,947	-	-
	<u>154,103</u>	<u>112,911</u>	<u>3,170</u>	<u>2,487</u>	<u>24,608</u>	<u>6,663</u>	<u>4,264</u>	<u>-</u>
Support:								
Management and General	88,252	67,900	4,094	854	7,977	7,427	-	-
Program Coordination and Evaluation	43,873	39,389	-	641	2,285	1,558	-	-
	<u>132,125</u>	<u>107,289</u>	<u>4,094</u>	<u>1,495</u>	<u>10,262</u>	<u>8,985</u>	<u>-</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 286,228</u>	<u>\$ 220,200</u>	<u>\$ 7,264</u>	<u>\$ 3,982</u>	<u>\$ 34,870</u>	<u>\$ 15,648</u>	<u>\$ 4,264</u>	<u>\$ -</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 13,348	\$ 4,269	\$ -	\$ 6,474	\$ 1,335	\$ 165	\$ -	\$ 1,105
Family Support	127,601	83,564	4,873	9,415	13,450	3,346	-	12,953
Domestic Violence & Sexual Assault Prevention & Intervention	261,370	177,076	-	3,957	15,978	7,916	3,172	53,271
	<u>402,319</u>	<u>264,909</u>	<u>4,873</u>	<u>19,846</u>	<u>30,763</u>	<u>11,427</u>	<u>3,172</u>	<u>67,329</u>
Support:								
Management and General	15,788	707	350	1,826	2,877	10,028	-	-
Program Coordination and Evaluation	807	807	-	-	-	-	-	-
	<u>16,595</u>	<u>1,514</u>	<u>350</u>	<u>1,826</u>	<u>2,877</u>	<u>10,028</u>	<u>-</u>	<u>-</u>
Other:								
Building, Renovations & Relocation	331,201	4,492	320	1,596	3,308	1,291	320,194	-
Sales Tax Paid	5,937	-	-	5,937	-	-	-	-
	<u>337,138</u>	<u>4,492</u>	<u>320</u>	<u>7,533</u>	<u>3,308</u>	<u>1,291</u>	<u>320,194</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 756,052</u>	<u>\$ 270,915</u>	<u>\$ 5,543</u>	<u>\$ 29,205</u>	<u>\$ 36,948</u>	<u>\$ 22,746</u>	<u>\$ 323,366</u>	<u>\$ 67,329</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

ASHE COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - Ashe County Partnership for Children is a legally separate nonprofit organization incorporated on January 17, 1995. Ashe County Partnership for Children was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. Ashe County Partnership for Children 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 Ashe County Partnership for Children'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 contribution 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 Ashe County Partnership for Children.

- 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.
- E. Beneficial Interest in Community Foundation** - This classification consists of funds invested in an endowment fund with the North Carolina Community Foundation, Inc as reported in Note 12. These amounts are shown in the permanently restricted column of Exhibit A and represent the irrevocable principal in the endowment fund as described more fully in Note 13.
- 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, the Ashe County Partnership for Children is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Ashe County Partnership for Children 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 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 Ashe County Partnership for Children 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** - The Ashe County Partnership for Children, in accordance with applicable Smart Start legislation, reports qualifying match provided at both the Partnership and the contractor level; the qualifying match is reported in supplemental Schedule 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. Ashe County Partnership for Children also benefits from donor volunteer hours which do not require specific expertise but which are nonetheless central to Ashe County Partnership for Children's operations. See supplemental Schedule 5 for more information on contributions in-kind.

NOTE 2 - DEPOSITS

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

Deposits over insured amounts subjects the Ashe County Partnership for Children to a concentration of credit risk. At June 30, 2018, the Ashe County Partnership Children did not have any bank deposits not insured by the FDIC.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

Smart Start Program - The Ashe County Partnership for Children'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 Ashe County Partnership for Children and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Ashe County Partnership for Children 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 Ashe County Partnership for Children. 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 Ashe County Partnership for Children was awarded and has received \$286,228 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Ashe County Partnership for Children 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 Ashe County Partnership for Children expects to receive continued funding through new Smart Start contracts with the State.

Family Violence Prevention - Ashe County Partnership for Children received additional revenue and support from the North Carolina Department of Administration / Family Violence Prevention.

Ashe County Partnership for Children was awarded funding through the Family Violence Prevention grant. The funding from this grant operates on a federal fiscal year beginning October 1st and ending September 30th. The 2016-2017 contract is reimbursement based and Ashe County Partnership for Children has received \$6,218 in reimbursements and expended \$3,512 for the grant ending September 30, 2017.

The 2017-2018 contract was awarded in the amount of \$23,632. This contract is reimbursement based and Ashe County Partnership for Children has received \$18,964. Total expenditures as of June 30, 2018 were \$20,203. Ashe County Partnership for Children expects to receive and expend all funds related to this contract.

Ashe County Partnership for Children expects to receive continued funding through the North Carolina Department of Administration / Family Violence Prevention.

FEMA - Ashe County Partnership for Children received additional revenue from the Emergency Food and Shelter National Board Program and United Way. This grant was awarded for fiscal year ending June 30, 2018 in the amount of \$1,530.

Ashe County Partnership received all funds from this grant and expended \$935 before June 30, 2018, \$817 was reverted back to the funding agency.

Ashe County Partnership for Children expects to receive continued funding through the Emergency Food and Shelter National Board Program and United Way.

Triple P – Ashe County Partnership for Children received additional revenue and support from Appalachian District Health Department through a Maternal and Child Health Block Grant that passes through the North Carolina Department of Health and Human Services / Division of Public Health for the Triple P program. The Ashe County Partnership for Children was awarded and received \$30,000 during the year ended June 30, 2018. Total expenditures during fiscal year ending June 30, 2018 were \$29,145 for the contract period ending May 31, 2018.

Ashe County Partnership for Children was awarded \$30,000 and received \$10,536 under a contract for the period June 1, 2017 to May 31, 2018 from the Appalachian District Health Department for the Triple P program.

Ashe County Partnership for Children was awarded \$30,000 under a contract for the period June 1, 2018 to May 31, 2019 from the Appalachian District Health Department for the Triple P program. Total expenditures during fiscal year ending June 30, 2018 were \$1,566 for the contract period ending May 31, 2019.

Governor's Crime Commission – Ashe County Partnership for Children received additional revenue and support from the North Carolina Department of

Crime Control and Public Safety through a Governor's Crime Commission contract with the total expected funding to be \$76,850 through September 30, 2018. As of June 30, 2018, Ashe County Partnership for Children received \$45,186 for fiscal year ending June 30, 2018 and has expended \$60,327.

An additional grant was received from the North Carolina Department of Crime Control and Public Safety through an Underserved Grant from Governor's Crime Commission in the amount of \$125,000. This Underserved Grant is a two year grant that began October 1, 2017 and will end September 30, 2019 Total funds received during fiscal year ending June 30, 2018 was \$5,038 and the amount expended was \$21,589.

An SASP grant was also received from the North Carolina Department of Crime Control and Public Safety through the Governor's Crime Commission. This SASP Grant is a one year grant that began October 1, 2017 and will end September 30, 2018. Total funds received during fiscal year ending June 30, 2018 was \$10,934 and the amount expended was \$15,147.

Ashe County Partnership for Children expects to receive continued funding from the North Carolina Department of Crime Control and Public Safety.

Dolly Parton Imagination Library Expansion – Ashe County Partnership for Children received revenue and support from the Dolly Parton's Imagination Library Expansion Program. Ashe County Partnership for Children was awarded, received, and expended \$5,018 under a contract with the North Carolina Partnership for Children, Inc.

Ashe County Partnership for Children expects to receive continued funding through new Dolly Parton Imagination Library Expansion Programs.

DHHS Children's Trust Grant – Ashe County Partnership for Children received additional revenue and support from the North Carolina Department of Health and Human Services Children's Trust Program.

Ashe County Partnership for Children was awarded this grant in the amount of \$86,992 and received \$77,709 and expended \$86,992 during fiscal year ending June 30, 2018.

Ashe County Partnership for Children also received final allocation payments for prior year grants from the North Carolina Department of Health and Human Services in the amount of \$17,276 during year ended June 30, 2018.

Ashe County Partnership for Children expects to receive continued funding through new DHHS Children's Trust Grants.

Training Grant – Ashe County Partnership for Children received revenue and support from the Training Grant. Ashe County Partnership for Children was awarded and received \$4,500 from the North Carolina Department of Instruction. Ashe County Partnership for Children expended \$3,201 of the award during the year ended June 30, 2018.

Ashe County Partnership for Children expects to receive continued funding through new Training Grants.

Council for Women – Ashe County Partnership for Children received additional revenue and support from the North Carolina Department of Administration Council for Women (Council for Women).

Ashe County Partnership for Children was awarded \$111,399 and has received \$109,214 of the funds from the Domestic Violence, Marriage License Fees, Divorce Filing Fees, and Sexual Assault during the year ended June 30, 2018. All funds for the Council for Women grants were expended with the exception of \$17,781. The contract with the North Carolina Department of Administration allows these funds to be carried forward and spent by September 30, 2018. Ashe County Partnership for Children will fully expend these funds by the deadline.

Ashe County Partnership for Children also received final allocation payments for prior year grants from the North Carolina Department of Administration in the amount of \$1,894 during year ended June 30, 2018. Funds in the amount of \$3,120 that were carried forward from last fiscal year to be spent by September 30, 2017 were fully expended by the deadline.

Ashe County Partnership for Children expects to receive continued funding from the North Carolina Department of Administration through Council for Women contracts.

Enhancing Rural Strategies– Ashe County Partnership for Children received revenue and support from the North Carolina Coalition Against Domestic Violence (NCCASA).

Ashe County Partnership for Children was awarded this grant in the amount of \$63,000 for a three-year grant commencing on October 1, 2014 and expiring on September 30, 2017. The Enhancing Rural Strategies grant is a federally funded initiative against sexual assault in identified rural counties. Ashe County Partnership for Children received \$12,149 during the year ended June 30, 2018 and expended \$6,504 during the year ended June 30, 2018.

Ashe County Partnership for Children expects to receive continued funding from NCCASA through Enhancing Rural Strategies contracts.

NOTE 4 - RELATED PARTY TRANSACTIONS

A. Service Provider Contracts with Board Member Organizations - The board members of the Ashe County Partnership for Children are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Ashe County Partnership for Children that board members not be involved with decisions regarding organizations they represent.

Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Ashe County Partnership for Children's Smart Start allocation.

- B. Other Related Parties** - Ashe County Partnership for Children's Trust Endowment Committee consists of fifteen voting members, two of which are Ashe County Partnership for Children board members. The purpose of the Committee is to provide financial resources for programs conducted by Ashe County 4-H and Ashe County Partnership for Children to enrich the quality of life for all children in Ashe County. The bank account for this endowment is maintained by the Ashe County Cooperative Extension office (4-H).

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 Quality - Used to account for service activities including quality maintenance for licensed child care centers and home, child care resource and referral, salary supplements, provider training, and comprehensive Pre-K to kindergarten transition and readiness efforts with providers, educators, children and families, and the community.

Family Support - Used to account for service activities including family resource centers, ongoing parenting education, home visiting, family literacy and community outreach information and resources.

Domestic Violence and Sexual Assault Prevention and Intervention – Used to account for service activities associated with the operation of the Domestic Violence and Sexual Assault Prevention and Intervention program which includes case management, crisis intervention, community outreach, information, resource and referral, 24-hour crisis line, emergency housing services, and other services for victims and their children.

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 estimates of utilization.

NOTE 6 - 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 Leases</u>
2018	\$ 12,618
2019	11,986
2020	11,986
2021	<u>4,994</u>
Total Minimum Lease Payments	<u>\$ 41,584</u>

Rental expense for all operating leases during the year was \$16,242.

NOTE 7 - PENSION PLAN

IRC Section 403(b) Plan - All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of Ashe County Partnership for Children, as a condition of employment, is provided an individual annuity through an outside insurance company. Ashe County Partnership for Children contributed up to 5% of gross wages for the year ended June 30, 2018. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. Ashe County Partnership for Children contributed \$10,996 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Ashe County Partnership for Children 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 Ashe County Partnership for Children 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 Ashe County Partnership for Children's. 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 Ashe County Partnership for Children 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 \$23,691. 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:

Purpose	Amount
Council for Women - DV Grant (ASHE Program)	\$ 6,826
Council for Women - ML Grant (ASHE Program)	5,360
Council for Women - DFF Funds (ASHE Program)	8,058
Dept. of Public Instruction	1,299
Academy Capacity Grant	2,275
WJ 1 st Baptist Church Grant (ASHE Program)	987
Ashe County Community Foundation (Books for Planting Seeds)	320
Children's Endowment - CCFR	2,049
ASHE Private (ASHE Program)	4,158
	<u>\$ 31,332</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:

Purpose	Amount
Council for Women - DV 2017-2018 (ASHE Program)	\$ 2,463
Council for Women - ML 2017-2018 (ASHE Program)	1,230
Academy Capacity Grant	245
NC Community Foundation (Books for Planting Seeds)	606
WJ 1 st Baptist Church Grant (ASHE Program)	2,513
	<u>\$ 7,057</u>

Permanently Restricted Net Assets - Permanently restricted net assets at June 30, 2018 were restricted for the following purposes:

Purpose	Amount
Children's Trust Endowment	\$ 10,000
	<u>\$ 10,000</u>

NOTE 11 - INCOME TAXES

The Ashe County Partnership for Children 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 Ashe County Partnership for Children does not believe there are any unrecognized tax benefits or costs as of June 30, 2018. Income tax returns for 2015 through 2017 remain open to examination by the tax authorities.

NOTE 12 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Ashe County Partnership for Children is the beneficiary of an endowment established in conjunction with Ashe County 4-H through the North Carolina Community Foundation. This agreement was established on March 22, 1999. Its purpose is devoted to the support of Ashe County Partnership for Children and Ashe County 4-H programs. Ashe County Partnership for Children presents the endowment as a beneficial interest in the foundation.

The agreement between Ashe County Partnership for Children, Ashe County 4-H and the Community Foundation provides that all the contributions to the endowment are irrevocable. The Community Foundation will make distributions of the income earned on the endowment, subject to the Community Foundation’s spending policy. The agreement also permits the Community Foundation to substitute another beneficiary in the place of Ashe County Partnership for Children and Ashe County 4-H if both organizations ceases to exist or if both organizations cease to be an organization described in Internal Revenue Code Sections 170c and 501c(3). Therefore, Ashe County Partnership for Children and Ashe County 4-H have explicitly granted variance power to the Community Foundation.

Ashe County Partnership for Children’s endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis as the beneficial interest in the Community Foundation. The fair value of the endowment administered by the Community Foundation on behalf of Ashe County Partnership for Children and Ashe County 4-H at June 30, 2018 was \$89,739; however, under the modified cash basis of accounting, the original cost basis of contributions are reported on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis. The beneficial interest amount is reflected as permanently restricted funds in the amount of \$10,000.

NOTE 13 - ENDOWMENT

Interpretation of Endowment Under Uniform Prudent Management of Institutional Funds Act (UPMIFA)

Through June 30, 2018 the Ashe County Partnership for Children's management and investment of donor-restricted endowment funds was subject to the provisions of the uniform management of institutional funds act (UMIFA). In 2006, the uniform law commission approved the model act, uniform prudent management of institutional funds act (UMIFA) that serves as a guideline to states to use in enacting legislation. Among UMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending. The Ashe County Partnership for Children's endowment consists of a beneficial interest in a community foundation. Endowments include donor-restricted endowment funds.

Basis of Endowment Accounting

Under the modified cash basis of accounting, the Ashe County Partnership for Children records contributions and endowment investment earnings on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Contributions from funds held, raised or collected by Ashe County Partnership for Children and processed through its bank accounts are recorded as permanently restricted net assets.

Contributions from funds held, raised or collected by Ashe County Partnership for Children but not processed through its bank accounts are not recorded. Permanently restricted contributions sent directly by a third party to the community foundation are not recorded in the general ledger of the Ashe County Partnership for Children. There were no such third party contributions directly to the foundation during the year ended June 30, 2018. Similarly, investment earnings and expenses of endowments held by the Community Foundation are not recorded in the general ledger of the Ashe County Partnership for Children, unless such earnings and expenses pass through its bank accounts.

Endowment net asset composition by fund type as of June 30, 2018 follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted Funds	\$ -	\$ -	\$ 10,000	\$ 10,000

NOTE 14 - SUBSEQUENT EVENTS

The Ashe County Partnership for Children has evaluated events and transactions that occurred between June 30, 2018 and January 25, 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.

This information is an integral part of the financial statements

SUPPLEMENTARY INFORMATION

Ashe County Partnership for Children
 Schedule of Contract and Grant Expenditures - Modified Cash Basis
 For the Year Ended June 30, 2018

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
Imagination Ashe	\$ -	\$ -	\$ 3,104	\$ -
	-	-	3,104	-
Individuals:				
ASHE Program Clients	-	-	53,271	-
CCFR Early Childhood Educators	-	-	1,105	-
Family Foundations Program Clients	-	-	9,849	-
	-	-	64,225	-
	\$ -	\$ -	\$ 67,329	\$ -

**Ashe County Partnership for Children
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2018**

Schedule 2

Organization Name	DHHS Contracts
Ashe County Department of Social Services *	\$ 154,654
	<u>\$ 154,654</u>

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

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.

**Ashe County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2018**

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
United States Department of Health and Human Services				
Pass-through from the North Carolina Department of Administration Council for Women				
Family Violence Prevention (Prior Year)	93.671	FVPSA	\$ 6,218	\$ 3,512
Family Violence Prevention (Current Year)	93.671	FVPSA	18,964	20,203
United States Department of Health and Human Services				
Emergency Food & Shelter Program				
Pass-through United Way				
FEMA Grant	97.111	632800-013	713	935
United States Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services -				
Division of Public Health				
Pass-through Appalachian District Health Department				
Triple P Grant (16-17 Grant)	93.994	N/A	10,536	-
Triple P Grant (17-18 Grant)	93.994	N/A	30,000	29,145
Triple P Grant (18-19 Grant)	93.994	N/A	-	1,566
US Department of Justice				
Office of Juvenile Justice and Delinquency Prevention				
Pass-through from the North Carolina Department of Crime Control and Public Safety -				
Division of Governor's Crime Commission				
ASHE - A Safe Home for Everyone - SASP (Current Year)	16.575	PROJ01343	10,934	15,147
ASHE - A Safe Home for Everyone (Current Year)	16.575	PROJ010945	45,186	60,327
ASHE - A Safe Home for Everyone (Current Year)	16.575	PROJ012459	5,038	21,589
US Department of Justice				
Office on Violence Against Women				
Pass-through from the North Carolina Coalition Against Domestic Violence				
Enhancing Rural Strategies (Current Year)	16.589	2014-WR-AX-0023	12,149	6,504
Total Federal Awards			<u>139,738</u>	<u>158,928</u>

**Ashe County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2018**

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
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)	*	N/A	286,228	286,228
Dolly Parton Imagination Library Expansion (Current Year)		N/A	5,018	5,018
North Carolina Department of Health and Human Services Division of Social Services, Community Based Programs Children's Trust Program Service Grant (Prior Year)		33834-17	17,276	-
Children's Trust Program Service Grant (Current Year)		33834-17	77,709	86,992
North Carolina Department of Public Instruction Training Grant (Current Year)		N/A	4,500	3,201
North Carolina Department of Administration Council for Women and Domestic Violence Commission Domestic Violence Grant (Prior Year)		N/A	-	2,463
Domestic Violence Grant (Current Year)		N/A	46,736	39,910
Sexual Assault Grant (Current Year)		N/A	23,444	23,444
Marriage License Grant (Prior Year)		N/A	762	1,992
Marriage License Grant (Current Year)		N/A	19,823	14,463
Divorce Filing Fees Grant (Prior Year)		N/A	1,132	1,128
Divorce Filing Fees Grant (Current Year)		N/A	19,211	11,153
Total State Awards			<u>501,839</u>	<u>475,992</u>
Total Federal and State Awards			<u>\$ 641,577</u>	<u>\$ 634,920</u>

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

**Ashe County Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2018**

Schedule 4

Furniture and Noncomputer Equipment	\$ 24,602
Computer Equipment/Printers	31,701
Buildings	306,250
Motor Vehicles	<u>17,131</u>
Total Property and Equipment	<u><u>\$ 379,684</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.

**Ashe County Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2018**

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	32,208
In-Kind Goods and Services		<u>30,540</u>
	\$	<u><u>62,748</u></u>

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

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 fiscal year ended June 30, 2018. For fiscal year ended June 30, 2018, Smart Start met the legislative statewide match requirement and will be waiving penalties for local partnerships that do not meet their match requirement for fiscal year ended June 30, 2018.

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

To Board Members of
Ashe County Partnership for Children
Jefferson, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ashe County Partnership for Children (a nonprofit organization), which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2018, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2019. As described in Note 1, the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Ashe County Partnership for Children'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ashe County Partnership for Children's internal control. Accordingly, we do not express an opinion on the effectiveness of Ashe County Partnership for Children's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Ashe County Partnership for Children'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 those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ashe County Partnership for Children'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 Ashe County Partnership for Children's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ashe County Partnership for Children's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charlotte, North Carolina
January 25, 2019