

FINANCIAL STATEMENT AUDIT REPORT OF  
ASHE COUNTY PARTNERSHIP FOR CHILDREN  
JEFFERSON, NORTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2016

BOARD OF DIRECTORS

KEITH MCCLURE, 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, 2016, 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, 2016, 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 24 and Schedule 5 on page 27 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 February 24, 2017, 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 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 Ashe County Partnership for Children's internal control over financial reporting and compliance.

*CohnReznick LLP*

Charlotte, North Carolina  
February 24, 2017

**Ashe County Partnership for Children**  
**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis**  
**For the Year Ended June 30, 2016**

**Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Permanently Restricted Funds	Total Funds
	Smart Start Fund	Other Funds			
<b>Receipts:</b>					
State Awards and Contracts	\$ 298,954	\$ 93,205	\$ 21,748	\$ -	\$ 413,907
Federal Awards	-	139,402	-	-	139,402
Local Awards	-	15,506	3,094	-	18,600
Private Contributions	-	29,013	28,148	-	57,161
Special Fund Raising Events	-	2,855	695	-	3,550
Building Operations	-	152,133	-	-	152,133
Interest and Investment Earnings	-	608	-	-	608
Sales Tax Refunds	-	4,690	-	-	4,690
Other Receipts	-	32,743	20,854	-	53,597
<b>Total Receipts</b>	<b>298,954</b>	<b>470,155</b>	<b>74,539</b>	<b>-</b>	<b>843,648</b>
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	-	4,661	(4,661)	-	-
	<u>298,954</u>	<u>474,816</u>	<u>69,878</u>	<u>-</u>	<u>843,648</u>
<b>Expenditures:</b>					
Programs:					
Child Care and Education Quality	83,282	12,580	-	-	95,862
Family Support	63,093	37,309	-	-	100,402
Health and Safety	25,627	592	-	-	26,219
Domestic Violence and Sexual Assault	-	254,606	-	-	254,606
Support:					
Management and General	88,252	1,062	-	-	89,314
Program Coordination and Evaluation	38,700	1,200	-	-	39,900
Other:					
Family Central - Building Operations	-	167,729	-	-	167,729
Sales Tax Paid	-	7,348	-	-	7,348
<b>Total Expenditures</b>	<b>298,954</b>	<b>482,426</b>	<b>-</b>	<b>-</b>	<b>781,380</b>
<b>Excess (Deficiency) of Receipts Over Expenditures</b>	<b>-</b>	<b>(7,610)</b>	<b>69,878</b>	<b>-</b>	<b>62,268</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>159,666</b>	<b>10,308</b>	<b>10,000</b>	<b>179,974</b>
<b>Net Assets at End of Year</b>	<b>\$ -</b>	<b>\$ 152,056</b>	<b>\$ 80,186</b>	<b>\$ 10,000</b>	<b>\$ 242,242</b>
<b>Net Assets Consisted of:</b>					
Cash and Cash Equivalents	\$ -	\$ 152,063	\$ 80,186	\$ -	\$ 232,249
Beneficial Interest in Community Foundation	-	-	-	10,000	10,000
	<u>-</u>	<u>152,063</u>	<u>80,186</u>	<u>10,000</u>	<u>242,249</u>
Less: Funds Held for Others	-	7	-	-	7
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ 152,056</b>	<b>\$ 80,186</b>	<b>\$ 10,000</b>	<b>\$ 242,242</b>

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, 2016

Exhibit B

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/Contracts/Grants</u>
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 83,282	\$ 61,152	\$ 1,195	\$ 8,271	\$ 9,931	\$ 2,733	\$ -	\$ -
Family Support	63,093	46,730	598	1,353	7,867	4,964	1,320	261
Health and Safety	25,627	21,090	489	1,825	1,413	810	-	-
	<u>172,002</u>	<u>128,972</u>	<u>2,282</u>	<u>11,449</u>	<u>19,211</u>	<u>8,507</u>	<u>1,320</u>	<u>261</u>
<b>Support:</b>								
Management and General	88,252	67,532	4,434	2,236	7,984	5,836	230	-
Program Coordination and Evaluation	38,700	32,696	598	172	3,660	1,100	474	-
	<u>126,952</u>	<u>100,228</u>	<u>5,032</u>	<u>2,408</u>	<u>11,644</u>	<u>6,936</u>	<u>704</u>	<u>-</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 298,954</u>	<u>\$ 229,200</u>	<u>\$ 7,314</u>	<u>\$ 13,857</u>	<u>\$ 30,855</u>	<u>\$ 15,443</u>	<u>\$ 2,024</u>	<u>\$ 261</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 12,580	\$ -	\$ -	\$ 10,512	\$ 748	\$ -	\$ 1,320	\$ -
Family Support	37,309	10,992	8,632	15,425	1,161	1,099	-	-
Health and Safety	592	90	-	299	2	201	-	-
Domestic Violence and Sexual Assault	254,606	190,188	4,443	6,397	16,127	8,367	2,065	27,019
	<u>305,087</u>	<u>201,270</u>	<u>13,075</u>	<u>32,633</u>	<u>18,038</u>	<u>9,667</u>	<u>3,385</u>	<u>27,019</u>
<b>Support:</b>								
Management and General	1,062	(1,053)	600	164	597	2,441	-	(1,687)
Program Coordination and Evaluation	1,200	-	-	-	507	693	-	-
	<u>2,262</u>	<u>(1,053)</u>	<u>600</u>	<u>164</u>	<u>1,104</u>	<u>3,134</u>	<u>-</u>	<u>(1,687)</u>
<b>Other:</b>								
Family Central - Building Operations	167,729	26,670	1,435	4,663	75,361	42,223	17,377	-
Sales Tax Paid	7,348	-	-	7,348	-	-	-	-
	<u>175,077</u>	<u>26,670</u>	<u>1,435</u>	<u>12,011</u>	<u>75,361</u>	<u>49,223</u>	<u>17,377</u>	<u>-</u>
<b>Total Other Funds Expenditures</b>	<u>\$ 482,426</u>	<u>\$ 226,887</u>	<u>\$ 15,110</u>	<u>\$ 44,808</u>	<u>\$ 94,503</u>	<u>\$ 62,024</u>	<u>\$ 20,762</u>	<u>\$ 25,332</u>

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

**ASHE COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The 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 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 contributions that are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of 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. The amounts shown in the permanently restricted column of Exhibit A represent the irrevocable principle in the endowment fund as described more fully in Note 13.
- F. Funds Held For Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which Ashe County Partnership for Children acts in an agency capacity. For the year ended June 30, 2016, Ashe County Partnership for Children was holding amounts withheld from employee paychecks for supplemental insurance in the amount of \$7.
- G. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, 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. 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 purchase price, which may be different from their valuation as of June 30, 2016. Donated items are recorded on the property and equipment log at estimated fair market value at the date of donation.
- H. 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.

- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by 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.
- J. Qualifying Match and Contributions In-Kind** - 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 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 Ashe County Partnership for Children to a concentration of credit risk. At June 30, 2016, Ashe County Partnership for Children did not have any bank deposits not insured by FDIC.

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

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

Associated with these contracts, 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 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.

Ashe County Partnership for Children was awarded and has received \$298,954 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. Ashe County Partnership for Children has expended all awarded funds and therefore has returned none of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2016.

Ashe County Partnership for Children expects to receive continued funding through new Smart Start contracts with the State.

**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 \$110,476 through Domestic Violence, Marriage License Fees, Divorce Filing Fees, and Sexual Assault contracts and has received \$109,004 of the funds from these contracts during the year ended June 30, 2016. All received funds for the Council for Women grants were expended with the exception of \$21,748. The contract with the North Carolina Department of Administration allows these funds to be carried forward and spent by September 30, 2016. 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 \$5,949 during the year ended June 30, 2016. Funds in the amount of \$8,236 that were carried forward from last fiscal year to be spent by September 30, 2015 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.

**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 two year Governor's Crime Commission contract with the total expected funding to be \$123,601 through June 30, 2017. As of June 30, 2016, Ashe County Partnership for Children received \$41,202 for fiscal year ending June 30, 2016 and has expended \$61,912.

The Governor's Crime Commission's prior year's grant expenditures were reimbursed during fiscal year ending June 30, 2016 in the amount of \$8,607.

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. This Underserved Grant is a two year grant that began July 1, 2014 and will end September 30, 2016. Total funds received during fiscal year ending June 30, 2016 were \$5,629 and the amount expended was \$5,982.

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

**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 1<sup>st</sup> and ending September 30<sup>th</sup>. The 2014-2015 contract is reimbursement based and Ashe County Partnership for Children has received \$6,476 in reimbursements for the grant ending September 30, 2015. The 2015-2016 contract was awarded in the amount of \$20,065. This contract is reimbursement based and Ashe County Partnership for Children has received \$18,806. 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. Ashe County Partnership for Children was awarded and received \$2,000 for the fiscal year ending June 30, 2016.

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, 2016.

The Ashe County Partnership was also awarded \$14,673 through the US Department of Justice's Office of Juvenile Justice and Delinquency Prevention that passes through the North Carolina Department of Public Safety for the County of Ashe for the Triple P JCPC program. For the year ended June 30, 2016, the Ashe County Partnership received \$10,740. Additionally, the Partnership returned \$7,000 of the current year contract to the State during the year ended June 30, 2016.

Ashe County Partnership for Children expects to receive continued funding from Appalachian District Health Department for the Triple P program.

**Enhancing Rural Strategies Grant** – The Ashe County Partnership for Children was awarded \$63,000 for a three-year grant commencing on October 1, 2014 and expiring 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 \$21,742 during the year ended June 30, 2016.

**Race to the Top-Early Learning Challenge Grant** - The Ashe County Partnership also received revenue and support from DHHS for the Race to the Top-Early Learning Challenge grant (RTT-ELC). The RTT-ELC grant is a federally funded initiative to reduce disparities in school readiness among children with high needs and their peers. The Ashe County Partnership for Children was awarded and received \$1,200 under the current year RTT-ELC grant.

The Ashe County Partnership for Children does not expect to receive continued funding for the data grant.

#### **NOTE 4 - RELATED PARTY TRANSACTIONS**

**A. Service Provider Contracts with Board Member Organizations** - The board members of Ashe County Partnership for Children are representative of various organizations that benefit from actions taken by the Board. It is the policy of Ashe County Partnership for Children that board members not be involved with decisions regarding organizations they represent. During the year, Ashe County Partnership for Children entered into contracts with board member organizations for program activities as identified on Schedule 1

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

- B. Other Related Parties** - Ashe County 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 associated with quality maintenance, child care resource and referral, provider training, mentoring programs, 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 ongoing parenting education, general family support, family intervention, transportation services, community outreach information and resources, home visiting or family support needs and resources assessments.

**Health and Safety** - Used to account for service activities associated with child care health consultations.

**Domestic Violence and Sexual Assault** - Used to account for service activities associated with the operation of our 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 shelter 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 utilities and communication costs were indirectly allocated based on estimates of utilization. Equipment rental (copier and postage machine) is divided equally among programs and administration. Overage for copier is allocated based on number of copies.

**NOTE 6 - OPERATING LEASE OBLIGATIONS**

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

<u>Fiscal Year</u>	<u>Operating Leases</u>
2017	\$ 8,602
2018	632
2019	632
2020	-
2021	-
Total Minimum Lease Payments	<u>\$ 9,866</u>

Rental expense for all operating leases during the year was \$12,063.

**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, 2016. 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 \$9,947 for retirement benefits during the year.



**NOTE 8 - RISK MANAGEMENT**

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. 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
Worker Compensation - employee injury	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 Ashe County Partnership for Children. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

**A. Compensated Absences** - As a result of Ashe County Partnership for Children's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2016, is \$17,447. No funds or reservation of net assets has been made for this commitment.

**B. Loan Commitment** - Ashe County Partnership for Children has a note with a balance of \$213,623 at June 30, 2016 that is secured by a building complex and payable to the United States Department of Agriculture in monthly installments of \$3,203. This amount includes principal and interest computed at an annual rate of 4.5%. The interest paid on the note payable for the year ended June 30, 2016 was \$10,854.

The future scheduled maturities of long-term debt are as follows:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2017	\$ 28,827	\$ 9,613
2018	30,124	8,316
2019	31,480	6,960
2020	32,896	5,544
2021	34,377	4,063
Thereafter	<u>55,919</u>	<u>3,416</u>
Total Payments	<u>\$ 213,623</u>	<u>\$ 37,912</u>

**NOTE 10 - RESTRICTIONS ON NET ASSETS**

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

<u>Purpose</u>	<u>Amount</u>
Council for Women – DV Grant (ASHE Program)	\$ 10,055
Council for Women – ML Grant (ASHE Program)	4,747
Council for Women – DFF Funds (ASHE Program)	6,946
CCHC Endowment Grant (to Purchase CCHC/Health Related Items)	607
CCFR Endowment Grant (to Purchase Child Care Family Resource Related Items)	328
ASHE Endowment (to Purchase ASHE Program Related Items)	2,159
GlaxoSmithKline Foundation Grant (Family Foundations Program Related Items)	25,000
NC Community Foundation (Books for Family Foundations and Child Care Family Resource)	840
BREMCO Grant (ASHE Program )	123
ASHE Private (ASHE Program)	8,527
Shelter Property (Shelter & Program Related)	<u>20,854</u>
	<u>\$ 80,186</u>

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

<u>Purpose</u>	<u>Amount</u>
Council for Women ML 2014-2015 (ASHE Program)	\$ 1,130
Council for Women DV 2014-2015 (Ashe Program)	2,948
Triple P Grant (Triple P Program)	583
	<u>\$ 4,661</u>

**C. Permanently Restricted Net Assets** – Permanently restricted net assets at June 30, 2016 were restricted for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Ashe County Children’s Trust Endowment	\$ 10,000
	<u>\$ 10,000</u>

**NOTE 11 - INCOME TAXES**

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.

Ashe County Partnership for Children does not believe there are any unrecognized tax benefits or costs as of June 30, 2016. Income tax returns from 2013 through 2015 are open 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, 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, 2016 was \$82,077; 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, 2016, 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 (UPMIFA) that serves as a guideline to states to use in enacting legislation. Among UPMIFA'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, 2016. 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, 2016 follows:

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

## NOTE 14 - SUBSEQUENT EVENTS

The Ashe County Partnership for Children has evaluated events and transactions that occurred between June 30, 2016 and February 24, 2017, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2016.

## SUPPLEMENTARY INFORMATION

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

**Schedule 1**

<b>Organization Name</b>	<b>Smart Start Funds</b>		<b>Other Funds</b>	
	<b>Amount Advanced</b>	<b>Refund Due</b>	<b>Amount Advanced</b>	<b>Refund Due</b>
<b>Organizations:</b>				
Ashe County Coalition for the Homeless	* \$ -	\$ -	\$ -	\$ (1,687)
<b>Individuals</b>				
Healthy Families Ashe Program Clients	50	-	-	-
Family Foundations Program Clients	211	-	-	-
A Safe Home for Everyone Clients	-	-	27,019	-
	<u>\$ 261</u>	<u>\$ -</u>	<u>\$ 27,019</u>	<u>\$ (1,687)</u>

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

**Ashe County Partnership for Children  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2016**

**Schedule 2**

<b>Organization Name</b>		<b>DHHS Contracts</b>
Ashe County Department of Social Services (Subsidy)	*	<u>\$ 142,528</u>

\* This organization is 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 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, 2016**

**Schedule 3**

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract Number	Receipts	Expenditures
<b>Federal Awards:</b>				
U. S. Department of Agriculture Community Facility Loans and Grants	10.766	N/A	\$ -	\$ 213,623
US Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services				
Family Violence Prevention (Prior Year)	93.671	FVPSA	6,476	4,222
Family Violence Prevention (Current Year)	93.671	FVPSA	18,806	19,107
US Department of Health and Human Services Pass-through North Carolina Department of Health and Human Services - Division of Public Health				
Pass-through Appalachian District Health Department				
Triple P Grant (14-15 Grant)	93.994	N/A	-	583
Triple P Grant (15-16 Grant)	93.994	N/A	30,000	30,000
Triple P Grant (16-17 Grant)	93.994	N/A	-	1,014
US Department of Justice Office of Juvenile Justice and Delinquency Prevention Pass-through from the North Carolina Department of Public Safety - County of Ashe				
DJJP - Triple P Grant (Current Year)	16.575	305	3,740	4,483
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 (Prior Year)	16.575	PROJ009178	8,607	-
ASHE - A Safe Home for Everyone (Current Year)	16.575	PROJ010945	41,202	61,912
ASHE - A Safe Home for Everyone (Current Year)	16.575	PROJ010309	5,629	5,982
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	21,742	25,263
Department of Homeland Security Pass-through the United Way				
Emergency Food and Shelter National Board Program (ARRA)	97.114	632800-013	2,000	2,000
U. S. Department of Education Pass-through North Carolina Department of Health and Human Services Pass-through North Carolina Partnership for Children, Inc.				
Race to the Top-Early Learning Challenge Grant	84.412	DATA 320:15-16-006	1,200	1,200
<b>Total Federal Awards</b>			<u>139,402</u>	<u>369,389</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services, Division of Child Development				
Pass-through from the North Carolina Partnership for Children, Inc. Early Childhood Initiatives Program (Current Year)	*		298,954	298,954
North Carolina Department of Administration, Division of NC Council for Women				
Domestic Violence Grant (Prior Year)			-	2,948
Domestic Violence Grant (Current Year)			45,964	35,909
Sexual Assault Grant (Current Year)			23,542	23,542
Marriage License Grant (Prior Year)			1,297	2,427
Marriage License Grant (Current Year)			19,737	14,990
Divorce Filing Fees Grant (Prior Year)			4,652	2,861
Divorce Filing Fees Grant (Current Year)			19,761	12,815
<b>Total State Awards</b>			<u>413,907</u>	<u>394,446</u>
<b>Total Federal and State Awards</b>			<u>\$ 553,309</u>	<u>\$ 763,835</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, 2016**

**Schedule 4**

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Furniture and Noncomputer Equipment	\$ 80,535
Computer Equipment / Printers	35,723
Buildings	1,400
Leasehold Improvements	1,342,154
Motor Vehicles	<u>17,131</u>
<b>Total Property and Equipment</b>	<b><u>\$ 1,476,943</u></b>

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

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

**Schedule 5**

**Match Provided at the Partnership Level:**

Cash	\$ 30,999
In-Kind Goods and Services	<u>32,263</u>
<b>Total</b>	<b><u><u>\$ 63,262</u></u></b>

**Match Provided at the Contractor Level:**

Cash	\$ 39,310
In-Kind Goods and Services	<u>-</u>
<b>Total</b>	<b><u><u>\$ 39,310</u></u></b>

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

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

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, 2016, 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 February 24, 2017.

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.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Charlotte, North Carolina  
February 24, 2017