

**FINANCIAL STATEMENTS
SHIFT NC
DURHAM, NORTH CAROLINA
JUNE 30, 2015**

BOARD OF DIRECTORS

Anna Fesmire CTC, DS
APPCNC Chair

Jan Rowe Capps
APPCNC Secretary

Mary Jane Akerman

True Campbell

Heather Champion, Ph.D.

Carolyn Halpern

DeVetta Holman-Nash

Gabriela Magallanes

Terri Mitchell, Ph.D.

Dr. Britton Taylor

Buck Wilson
APPCNC Vice Chair

Monecia Rena Thomas
APPCNC Treasurer

Ellen Essick, Ph.D.

David Gardner, D.A.

Jennifer Garrett

Rasaan Moshesh

Sanjay Shah, MD

Maria Soto

Valerie Spiva-Collins, Ph.D.

Jean Workman, MA

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	4
Statement of Financial Position	6
Statement of Activities	7
Statement of Cash Flows	8
Statement of Functional Expenses	9
Notes to Financial Statements	10
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	16
Schedule of Findings and Questioned Costs	18
Corrective Action Plan	20
Summary of Prior Year's Findings	21
Schedule of Expenditures of Federal and State Awards	22

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
9121 Anson Way
Suite 200
Raleigh, NC 27615
919.781.1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Medical Group
Management
Association

INDEPENDENT AUDITORS' REPORT

Board of Directors
SHIFT NC
Durham, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statement of SHIFT NC (a nonprofit organization), which comprises the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses 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 accounting principles generally accepted in the United States of America; this includes 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 financial position of SHIFT NC as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information


Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and State Awards, as required by OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, is presented for purposes of additional analysis and is 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

The financial statements of SHIFT NC as of and for the year ended June 30, 2015 were audited by us and our report dated January 13, 2016 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2016, on our consideration of SHIFT NC'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 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 SHIFT NC's internal control over financial reporting and compliance.


PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

January 13, 2016

**SHIFT NC
STATEMENT OF FINANCIAL POSITION**

Years Ended June 30,	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Current assets:				
Cash and cash equivalents	\$ 273,671	\$ -	\$ 273,671	\$ 123,999
Accounts receivable	4,097	-	4,097	1,712
Prepaid expenses	26,121	-	26,121	22,587
Total current assets	303,889	-	303,889	148,298
Property and equipment:				
Furniture and equipment	29,050	-	29,050	28,351
Computer equipment	54,081	-	54,081	45,032
	83,131	-	83,131	73,383
Less accumulated depreciation	(68,602)	-	(68,602)	(62,336)
Net property and equipment	14,529	-	14,529	11,047
Other assets:				
Lease costs	-	-	-	-
Total assets	\$ 318,418	\$ -	\$ 318,418	\$ 159,345
Current liabilities:				
Accounts payable	\$ 148,058	\$ -	\$ 148,058	\$ 7,557
Other current liabilities	72,325	-	72,325	41,113
Total current liabilities	220,383	-	220,383	48,670
Net assets:	98,035	-	98,035	110,675
Total liabilities and net assets	\$ 318,418	\$ -	\$ 318,418	\$ 159,345

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

SHIFT NC
STATEMENT OF ACTIVITIES

Years Ended June 30,	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Support, revenues and other:				
Support:				
United Way allocations and designations	\$ 4,391	\$ -	\$ 4,391	\$ 5,508
General contributions	15,695	-	15,695	17,344
Government Grants:				
CDC Grant	-	1,076,879	1,076,879	1,071,983
State operating grant	-	250,000	250,000	250,000
Other government grants	-	-	-	-
Foundation Grants:				
Duke Endowment	-	-	-	250,000
Oak Hill Fund	112,500	-	112,500	62,500
Provident Benevolent Foundation	-	-	-	6,630
WISE Foundation	70,000	-	70,000	70,000
Lovett Foundation	-	-	-	-
Cemala Foundation	-	-	-	-
Corporate Grants:				
Communities for Health Charities in NC	-	-	-	-
Total Support	202,586	1,326,879	1,529,465	1,733,965
Revenues and Other				
Program service fees	48,551	-	48,551	48,088
Investment income	85	-	85	100
Button, poster and video sales	608	-	608	500
Other	373,134	-	373,134	162,472
Total revenues and other	422,378	-	422,378	211,160
Net assets released from restrictions:				
Satisfaction of program restrictions	1,326,879	(1,326,879)	-	-
Satisfaction of time restrictions	-	-	-	-
Total net assets released from restrictions:	1,326,879	(1,326,879)	-	-
Total support, revenues and other	1,951,843	-	1,951,843	1,945,125
Expenses:				
Program - prevention	1,448,067	-	1,448,067	1,525,973
Supporting services:				
Indirect Costs	263,261	-	263,261	240,340
General	144,513	-	144,513	104,645
Fundraising	108,642	-	108,642	66,074
Total expenses	1,964,483	-	1,964,483	1,937,032
Change in net assets	(12,640)	-	(12,640)	8,093
Net assets:				
Beginning of year	110,675	-	110,675	102,582
End of year	\$ 98,035	\$ -	\$ 98,035	\$ 110,675

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

**SHIFT NC
STATEMENT OF CASH FLOWS**

Years Ended June 30,	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Cash flow from operating activities:				
Change in net assets	\$ (12,640)	\$ -	\$ (12,640)	\$ 8,093
Adjustments to reconcile net assets to cash provided (used) by operating activities:				
Depreciation and amortization	6,266	-	6,266	6,540
(Increase) decrease in accounts receivable	(2,385)	-	(2,385)	7,764
(Increase) decrease in prepaid expenses	(3,534)	-	(3,534)	(1,538)
Increase (decrease) in accounts payable	140,501	-	140,501	(21,322)
Increase (decrease) in other liabilities	31,212	-	31,212	(1,482)
Total adjustments	172,060	-	172,060	(10,038)
Net cash provided (used) by operating activities	159,420	-	159,420	(1,945)
 Cash flow from investing activities:				
Purchase of office furniture and equipment	(699)	-	(699)	-
Purchase of computer equipment	(9,049)	-	(9,049)	-
Net cash provided (used) by investing activities	(9,748)	-	(9,748)	-
 Net increase (decrease) in cash from all activities	149,672	-	149,672	(1,945)
 Cash and cash equivalents:				
Beginning of year	123,999	-	123,999	125,944
End of year	273,671	-	273,671	123,999

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

SHIFT NC
STATEMENT OF FUNCTIONAL EXPENSES

Years Ended June 30,	2015					2014
	Prevention	Indirect Costs	General	Fundraising	Total	Total
Salaries and related expenses:						
Salaries and wages	\$ 495,678	\$ 199,158	\$ 65,414	\$ 55,856	\$ 816,106	\$ 757,212
Payroll taxes	40,264	16,182	2,360	4,605	63,411	62,030
Retirement plan contributions	9,803	4,256	1,508	5,290	20,857	18,133
Other employee benefits	72,723	20,863	36,562	26,433	156,581	132,392
	<u>618,468</u>	<u>240,459</u>	<u>105,844</u>	<u>92,184</u>	<u>1,056,955</u>	<u>969,767</u>
Other expenses:						
Professional fees	-	-	11,240	-	11,240	10,640
Advertising	50	-	-	-	50	-
Awards/gifts	1,248	-	-	-	1,248	1,324
Bank service charges	238	-	117	-	355	666
Books and videos	28	-	-	-	28	147
Computer expense	13,400	-	1,198	-	14,598	14,492
Conferences/meetings	51,089	-	-	-	51,089	56,060
Consultation fees	5,400	-	-	-	5,400	-
Dues and subscriptions	1,878	-	29	-	1,907	1,790
Equipment rental	1,817	264	169	183	2,433	3,206
Evaluations	-	-	-	-	-	-
Fundraising	33	-	-	10	43	-
Insurance	1,863	343	197	206	2,609	839
Licenses	704	-	25	-	729	1,109
Merchant discount	885	-	418	-	1,303	1,100
Miscellaneous	202	-	-	-	202	-
Office expense	-	-	-	-	-	-
Office supplies	6,946	-	1,473	67	8,486	7,936
Program supplies	92,428	-	-	-	92,428	86,732
Postage and delivery	2,510	-	26	155	2,691	1,457
Mailing services	142	-	-	-	142	162
Media campaign expense	-	-	-	-	-	-
Printing and reproduction	14,024	-	-	19	14,043	13,682
Re-Branding	2,692	-	-	-	2,692	-
Relocation	1,041	-	7,156	-	8,197	-
Repairs and maintenance	(14)	(3)	(2)	(2)	(21)	370
Rent	112,842	19,661	13,419	11,891	157,813	159,031
Staff training and development	-	-	665	-	665	635
Sub-grants	425,679	-	-	-	425,679	514,867
Telephone	11,419	1,948	1,129	1,177	15,673	16,321
Utilities	3,288	589	368	346	4,591	3,978
Travel - meals and lodging	71,934	-	1,042	2,406	75,382	64,180
	<u>823,766</u>	<u>22,802</u>	<u>38,669</u>	<u>16,458</u>	<u>901,695</u>	<u>960,724</u>
Total before depreciation	<u>1,442,234</u>	<u>263,261</u>	<u>144,513</u>	<u>108,642</u>	<u>1,958,650</u>	<u>1,930,491</u>
Depreciation and amortization	5,833	-	-	-	5,833	6,541
Total functional expenses	<u>\$ 1,448,067</u>	<u>\$ 263,261</u>	<u>\$ 144,513</u>	<u>\$ 108,642</u>	<u>\$ 1,964,483</u>	<u>\$ 1,937,032</u>

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

SHIFT NC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Note 1 - Nature of the Organization

SHIFT NC (the Organization) is a nonprofit organization dedicated to promoting and facilitating the prevention of adolescent pregnancy in North Carolina. During 2015, the Organization changed its name from Adolescent Pregnancy Prevention Campaign of North Carolina to SHIFT NC.

Note 2 - Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization follows the recommendations of the Financial Accounting Standards Board in its FASB Accounting Standards Codification 958, Not-for-Profit Entities. Under FASB ASC 958, the Organization is required to report information on the accrual basis of accounting regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Other significant accounting policies are described below.

- Unrestricted Net Assets are from unrestricted contributions and income and are available for use as designated by the Board of Directors, including current operating expenses.
- Temporarily Restricted Net Assets are from contributions whose use is limited by donor-imposed stipulations, which are satisfied by Board actions or passage of time.
- Permanently Restricted Net Assets are from contributions whose use is limited by donor-imposed stipulations, which do not expire by Board actions or passage of time. Since there were no permanently restricted assets for which to account during the year, none are described as such herein.

Recognition of Support, Revenues and Capital Additions

In accordance with FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Promises Receivable

Unconditional promises receivable are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises receivable are recognized as support when the conditions on which they depend are substantially met.

Furniture and Equipment

Additions are recorded at cost, if purchased, or appraised value at the time of donation, if received as a gift. Minor renewals and replacements are expensed. When furniture and equipment are retired, the costs and related allowances for depreciation are removed from the accounts. Any gain or loss is recognized in the statement of activities. Depreciation is computed by the straight-line method over the estimated economic lives of the respective assets held, which range from three to seven years.

SHIFT NC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

Impairment of Long-Lived Assets

The recoverability of long-lived assets is reviewed whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Such evaluation is based on various analyses, including undiscounted cash flow projections.

Donated Materials and Service

Donated materials (and equipment) are reflected as contributions in the financial statements at their estimated value at date of receipt. Donated services, when significant and measurable as to value, are reflected as contributions in the financial statements when provided. There were no donated materials and services recorded for the year ended June 30, 2015.

Volunteers, including officers and directors of the Organization, donate their time in program services and in fund raising. However, no amount has been reflected in the financial statements for these services, as no objective basis is available to measure the value of such contributed services.

Functional Expenses

Expenses not associated with a specific functional classification are allocated among the various classifications based upon the estimated time spent in each classification (program, management and general, and fund raising) by the staff of the Organization.

Retirement Plan

The Organization has a contributory defined retirement plan covering substantially all employees who have completed one year of service. Employer contributions to the plan were \$20,857 for the year ended June 30, 2015.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include the operating and money market accounts on hand at financial institutions.

Lease Commitment

The Organization entered into a ten year agreement for office space located in Durham, North Carolina during 2015. The lease is accounted for as an operating lease. The minimum rent for the first year of the agreement is \$10,385 per month. The minimum rent shall increase by three percent (3%) each year. At the option of the Organization, the lease can be extended for an additional period at the expiration of the original lease term. Rent expense for the year ended June 30, 2015, under this agreement, amounted to \$157,813.

SHIFT NC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

The minimum future aggregate lease payments are summarized as follows:

Years Ended June 30,	Rent
2016	\$ 124,936
2017	128,684
2018	132,545
2019	136,521
2020	140,617
Thereafter	610,518
Total Future Minimum Lease Payments	<u>\$ 1,273,821</u>

License to Solicit

The Organization has obtained from the North Carolina Department of Human Resources a license to solicit charitable contributions. The ability to solicit contributions is contingent on the renewal of this license, which was renewed on January 13, 2015.

Net Assets Released from Restriction

Net assets that were released from donor restrictions by incurring expenses satisfying the restricted purposes or of other events specified by donors and grantors totaled \$1,326,879.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Accrued Vacation Pay

The Organization has accrued \$33,820 of unused vacation time as a liability at June 30, 2015.

Subsequent Events

The Organization has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued, which is the date of the independent auditors' report. The Organization has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.

Income Taxes

The Organization is a nonprofit Organization exempt from federal and State income taxes under Internal Revenue code Section 501(c)(3). The Organization may be taxed on unrelated business income or uncertain tax positions; however, the Organization has not engaged in any activities that would generate unrelated business income or adopted any uncertain tax positions. Therefore, no provision for income taxes has been made in these financial statements.

SHIFT NC
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

The Organization implemented the new accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of the date of the independent auditors' report, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Income tax returns from 2013 through 2015 are open for examination by taxing authorities.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year ended June 30, 2015, the Organization carried insurance through various commercial carriers to cover all risks of losses. The Organization has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**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**

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson

To the Board of Directors
SHIFT NC
Durham, North Carolina

Zebulon Office
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

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 SHIFT NC (the Organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 13, 2016.

Raleigh Office
9121 Anson Way
Suite 200
Raleigh, NC 27615
919.781.1047

Internal Control Over Financial Reporting

www.pmpcpa.com

In planning and performing our audit of the financial statements, we considered SHIFT NC'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 SHIFT NC's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Memberships:

North Carolina
Association of
Certified Public
Accountants

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

American Institute
of Certified Public
Accountants

Medical Group
Management
Association

Compliance and Other Matters

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

Purpose of this Report

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

Petway Mills & Pearson, PA
PETWAYMILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

January 13, 2016

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Phyllis M. Pearson*Zebulon Office*
P.O. Box 1036
806 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax*Raleigh Office*
9121 Anson Way
Suite 200
Raleigh, NC 27615
919.781.1047

www.pmpcpa.com

*Memberships:*North Carolina
Association of
Certified Public
AccountantsAmerican Institute
of Certified Public
AccountantsMedical Group
Management
AssociationBoard of Directors
SHIFT NC
Durham, North Carolina**Report on Compliance for Each Major Federal Program**

We have audited SHIFT NC's (a non-profit organization) compliance with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that could have a direct and material effect on each of SHIFT NC's major federal programs for the year ended June 30, 2015. SHIFT NC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SHIFT NC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SHIFT NC's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SHIFT NC's compliance.

Opinion on Each Major Federal Program

In our opinion, SHIFT NC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of SHIFT NC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SHIFT NC's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

January 13, 2016

SHIFT NC
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2015

SECTION I. - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes x no

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as a low-risk auditee? _____ yes X no

Identification of major federal programs:

<u>Program Name</u>	<u>CFDA #</u>
Maternal, Infant & Reproductive Health	93.297

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

**SHIFT NC
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION II. - FINANCIAL STATEMENT FINDINGS

None.

SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

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

**SHIFT NC
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION II. - FINANCIAL STATEMENT FINDINGS

None.

SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

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

**SHIFT NC
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

The Organization had no prior year audit findings.

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

SHIFT NC
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Grantor/Pass-through Grantor-Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Expenditures
Federal Awards:			
US Department of Health and Human Services Direct Program Maternal, Infant & Reproductive Health	93.297		<u>\$ 1,076,879</u>
Total Federal awards			<u>1,076,879</u>
State Awards:			
N.C. Department of Health and Human Services Division of Public Health		00302-09	<u>250,000</u>
Total State awards			<u>250,000</u>
Total Federal and State Awards			<u><u>\$ 1,326,879</u></u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of the Organization and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Subrecipients

Subrecipients received \$425,679 in sub-grants from the federal program.

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