



# **STATE OF NORTH CAROLINA**

**THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.**

**RALEIGH, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2009**

**OFFICE OF THE STATE AUDITOR**

**BETH A. WOOD, CPA**

**STATE AUDITOR**

**THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.**

**RALEIGH, NORTH CAROLINA**

**FINANCIAL STATEMENT AUDIT REPORT**

**FOR THE YEAR ENDED JUNE 30, 2009**

**BOARD OF DIRECTORS**

**ASHLEY THRIFT, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**STEPHANIE FANJUL, PRESIDENT**



**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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**AUDITOR'S TRANSMITTAL**

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The Honorable Beverly Eaves Perdue, Governor  
The General Assembly of North Carolina  
Board of Directors, The North Carolina Partnership for Children, Inc.

We have completed a financial statement audit of The North Carolina Partnership for Children, Inc. (North Carolina Partnership) for the year ended June 30, 2009, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
The North Carolina Partnership for Children, Inc.  
Raleigh, North Carolina

We have audited the accompanying basic financial statements of The North Carolina Partnership for Children, Inc. (North Carolina Partnership), a component unit of the State of North Carolina, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the North Carolina Partnership's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Carolina Partnership for Children, Inc. as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

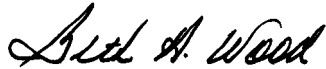
In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2010, on our consideration of the North Carolina Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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* and should be considered in assessing the results of our audit.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements of The North Carolina Partnership for Children, Inc. taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Beth A. Wood, CPA  
State Auditor

April 16, 2010

## THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Introduction

The following discussion and analysis provides an overview to assist the reader in interpreting and understanding the accompanying basic financial statements. This overview includes comparative financial analysis with discussion of significant changes from the prior year, as well as a discussion of currently known facts, decisions, and conditions. This information is provided by the North Carolina Partnership's management in conjunction with the issuance of the accompanying financial statements.

### Overview of the Basic Financial Statements

The *Statement of Net Assets* provides information relative to the North Carolina Partnership's assets, liabilities, and net assets as of the last day of the fiscal year. Assets and liabilities on these Statements are categorized as either current or noncurrent. Current assets are those that are available to pay for expenses in the next fiscal year. Current liabilities are those payable in the next fiscal year. Net assets on this statement are categorized as either invested in capital assets, restricted or unrestricted. Restricted net assets are categorized as either nonexpendable or expendable. Overall, the *Statement of Net Assets* provides information relative to the financial strength of the North Carolina Partnership and its ability to meet current and long-term obligations.

The *Statement of Revenues, Expenses, and Changes in Net Assets* provides information relative to the results of the North Carolina Partnership's operations, nonoperating activities, and other activities affecting net assets that occurred during the fiscal year. Nonoperating activities include primarily subsidies from the State in the form of state aid, noncapital gifts and grants, and investment income (net of investment expenses). Other activities include capital gifts or grants. Overall the *Statement of Revenues, Expenses, and Changes in Net Assets* provides information relative to the North Carolina Partnership's management of its operations and its ability to maintain its financial strength. The above statements are articulated by agreeing the ending net asset balance reported on both statements.

The *Statement of Cash Flows* provides information relative to the North Carolina Partnership's sources and uses of cash funds for operating activities, noncapital financing activities, capital financing activities, and investing activities. This statement provides a reconciliation of beginning cash balances to ending cash balances and is representative of activity reported on the *Statement of Revenues, Expenses, and Changes in Net Assets* as adjusted for changes in beginning and ending balances of noncash accounts on the *Statement of Net Assets*.

The three statements described above are the basic financial statements required by the Governmental Accounting Standards Board (GASB) accounting principles. In accordance with GASB, the financial statements are presented on the North Carolina Partnership as a whole and use reporting concepts in a manner similar to that required of a business enterprise.

**THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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The financial statement balances reported are presented in a classified format to aid the reader in understanding the nature of the financial statement balance.

In using the financial statements, the *Notes to the Financial Statements* accompanying the financial statements should be read in conjunction with the financial statements. The *Notes to the Financial Statements* provide information relative to the significant accounting principles applied in the financial statements, authority for and associated risk of deposits and investments, detailed information on accounts and pledges receivable, revenues and expenses, required information on pension plans and other post employment benefits, insurance against losses, commitments and contingencies, accounting changes, and if necessary a discussion of adjustments to prior periods and events subsequent to the North Carolina Partnership's financial statement period. Overall, the *Notes to the Financial Statements* provide information to better understand details, risk, and uncertainty associated with amounts reported in the Financial Statements.

**Brief Agency Highlights**

The North Carolina Partnership provides statewide oversight of North Carolina's Smart Start Early Childhood Initiative. The North Carolina Partnership has notably increased its ability to provide effective oversight of, and technical assistance to, the 77 local partnerships that provide the Smart Start services to families and children in their communities.

The North Carolina Partnership has received grants from several private organizations to establish a National Technical Assistance Center to assist communities and states in the development, implementation and integration of comprehensive community-based early childhood initiatives.

**Analysis of Financial Position and Results of Operations**

The North Carolina Partnership's net assets as of June 30, 2009 and June 30, 2008, were approximately \$5.7 million and \$7 million, respectively, a decrease of \$1.3 million during the year.



**THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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**Condensed Financial Information**

The following table summarizes the North Carolina Partnership's assets, liabilities and net assets as of June 30, 2009 and 2008.

**Condensed Statement of Net Assets**  
**June 30, 2009 and 2008**  
*(in thousands)*

	2009 Amount	2008 Amount	Percentage Change
<b>Assets</b>			
Current Assets	\$ 2,941	\$ 4,751	(38.1) %
Capital Assets, Net	176	210	(16.2) %
Other Noncurrent Assets	<u>3,800</u>	<u>3,720</u>	<u>2.2 %</u>
 Total Assets	 <u>6,917</u>	 <u>8,681</u>	 <u>(20.3) %</u>
<b>Liabilities</b>			
Current Liabilities	1,019	1,468	(30.6) %
Noncurrent Liabilities	<u>202</u>	<u>164</u>	<u>23.2 %</u>
 Total Liabilities	 <u>1,221</u>	 <u>1,632</u>	 <u>(25.2) %</u>
<b>Net Assets</b>			
Invested in Capital Assets	176	210	(16.2) %
Restricted:			
Nonexpendable	20	0	100.0 %
Expendable	3,261	4,597	(29.1) %
Unrestricted	<u>2,239</u>	<u>2,242</u>	<u>(0.1) %</u>
 Total Net Assets	 <u><u>\$ 5,696</u></u>	 <u><u>\$ 7,049</u></u>	 <u><u>(19.2) %</u></u>

Current assets as of June 30, 2009, consisted primarily of cash and equivalents, \$265,000, investments, \$702,000, receivables, \$1.9 million, and prepaid expenses, \$81,000. Current assets as of June 30, 2008, consisted primarily of cash and equivalents, \$259,000, investments, \$1.4 million, receivables, \$3.0 million and prepaid expenses, \$89,000.

Current assets decreased during the fiscal year June 30, 2009, due to the decrease in amounts due from Local Partnership grantees and outstanding pledges receivable.

**THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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**Capital and Other Noncurrent Assets**

Noncurrent assets as of June 30, 2009, primarily consisted of investments, \$3.8 million and capital assets, \$176,000. Noncurrent assets as of June 30, 2008, consisted of investments, \$3.0 million, pledges receivable, \$674,000, and capital assets, \$210,000.

**Liabilities**

Current liabilities as of June 30, 2009, consisted primarily of accounts payable items, \$951,000, and funds held for others, \$68,000. Current liabilities as of June 30, 2008, consisted primarily of accounts payable items, \$1.4 million, and funds held for others, \$71,000.

Noncurrent liabilities consisted entirely of accrued vacation leave in the approximate amount of \$202,000 and \$164,000 for the fiscal years ended June 30, 2009 and 2008, respectively.

**Net Assets**

Net assets invested in capital assets were \$176,000 and \$210,000 as of June 30, 2009 and 2008, respectively. Restricted nonexpendable net assets of \$20,000 as of June 30, 2009, represent amounts subject to externally imposed restrictions and which must be maintained in perpetuity. Restricted expendable net assets of \$3.2 million and \$4.6 million as of June 30, 2009 and 2008, respectively, represent amounts subject to externally imposed restrictions. Unrestricted net assets of \$2.2 and \$2.2 million as of June 30, 2009 and 2008, respectively, represent amounts not subject to externally imposed stipulations, but internally designated for various activities and initiatives.

For the year ended June 30, 2009 the decrease in net assets of \$1.3 million is primarily attributable to the decrease in restricted funds for capacity building by \$1.2 million due to the utilization of program funding from the W.K. Kellogg Foundation. Also, there was a decrease of \$162,000 in restricted funds for other child care related programs due to utilization of program funds.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the results of the North Carolina Partnership's operations for the report period. The following table summarizes the North Carolina Partnership's revenues, expenses, and changes in net assets for the years ended June 30, 2009 and 2008.

**THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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**Condensed Statements of Revenues, Expenses, and Changes in Net Assets**  
**For the Fiscal Years Ended June 30, 2009 and 2008**  
*(in thousands)*

	2009 Amount	2008 Amount	Percentage Change
Operating Revenues	\$ 0	\$ 0	0 %
Operating Expenses	(6,481)	(6,112)	6.0 %
Operating Loss	(6,481)	(6,112)	6.0 %
Nonoperating Revenues	126,504	133,642	(5.3) %
Nonoperating Expenses	(121,376)	(127,605)	(4.9) %
Increase (Decrease) in Net Assets	(1,353)	(75)	1,704.0 %
Net Assets Beginning of Year	7,049	7,124	(1.1) %
Net Assets End of Year	\$ 5,696	\$ 7,049	(19.2) %

**Nonoperating Revenues**

The North Carolina Partnership has no operating revenues. For the fiscal year ended June 30, 2009, nonoperating revenues totaled \$126.5 million, of which State aid was \$125.2 million. For the fiscal year ended June 30, 2008, nonoperating revenues totaled \$133.6 million, of which State aid was \$131.9 million.

Private contributions were \$891,000 and \$1.1 million as of June 30, 2009 and 2008, respectively. Major contributors for 2009 were W.K. Kellogg Foundation for \$500,000, Z. Smith Reynolds Foundation for \$150,000 and Kate B. Reynolds Charitable Trust for \$112,000. The decrease in private contributions from last fiscal year can be attributed to the significant downturn in the economy.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)

The following table summarizes the North Carolina Partnership's expenses (operating and nonoperating) for the reporting periods.

**Operating and Nonoperating Expenses**  
**For the Fiscal Years Ended June 30, 2009 and 2008**  
*(in thousands)*

	2009 Amount	2008 Amount	Percentage Change
Operating Expenses:			
Salaries and Benefits	\$ 3,818	\$ 3,638	4.9 %
Contracted Services	1,386	951	45.7 %
Other Operating Expenses	1,212	1,463	(17.2) %
Depreciation	65	60	8.3 %
Total Operating Expenses	<u>\$ 6,481</u>	<u>\$ 6,112</u>	<u>6.0 %</u>
Nonoperating Expenses:			
Loss on Disposal of Capital Assets	\$ 8	\$ 8	0 %
Contract/Grant Expenses	121,368	127,597	(4.9) %
Total Nonoperating Expenses	<u>\$ 121,376</u>	<u>\$ 127,605</u>	<u>(4.9) %</u>

Much of the North Carolina Partnership's activities are identified as nonoperating, with State aid its primary source of funding. The North Carolina Partnership provides oversight and funding to a network of other Smart Start organizations across the State, resulting in significant grant disbursements.

### **Economic Factors That Will Affect the Future**

The two main factors that impact the economic outlook for the North Carolina Partnership are private contributions and State aid.

The North Carolina Partnership actively seeks private gifts to support the mission of the Smart Start initiative. For the fiscal year ended June 30, 2009, private contributions decreased as compared to the fiscal year ended June 30, 2008. This decrease was the result of a reduction in the number and size of private contributions due to the unstable economy. In addition, the less favorable position of the State of North Carolina's 2008–2009 budget negatively impacted the State aid provided to the North Carolina Partnership. It is anticipated that the current state of the economy will continue to have an adverse impact on private contributions and State aid for the fiscal years ending June 30, 2010 and 2011.

***The North Carolina Partnership for Children, Inc.***  
***Statement of Net Assets***  
***For the Year Ended June 30, 2009***

***Exhibit A***

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$	264,819
Investments		82,128
Restricted Investments		619,536
Receivables:		
Accounts Receivable (Note 3)		775,535
Pledges Receivable (Note 3)		1,118,136
Prepaid Expenses		80,654
Total Current Assets		<u>2,940,808</u>

Noncurrent Assets:

Investments		2,100,000
Restricted Investments		1,700,000
Capital Assets, Net of Accumulated Depreciation (Note 4)		<u>176,330</u>
Total Noncurrent Assets		<u>3,976,330</u>

Total Assets		<u>6,917,138</u>
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**LIABILITIES**

Current Liabilities:

Accounts Payable		31,335
Accrued Payroll		160,374
Due to the State		729,788
Funds Held for Others		67,756
Unearned Revenue		22,334
Accrued Vacation Leave (Note 5)		<u>7,490</u>
Total Current Liabilities		<u>1,019,077</u>

Noncurrent Liabilities:

Accrued Vacation Leave (Note 5)		<u>201,972</u>
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Total Liabilities		<u>1,221,049</u>
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**NET ASSETS**

Invested in Capital Assets		176,330
Restricted for:		
Nonexpendable:		
Annual Recognition Award		20,000
Expendable:		
Capacity Building		2,178,943
Other Specific Child Care Related Activities		1,081,757
Unrestricted		<u>2,239,059</u>

Total Net Assets	\$	<u>5,696,089</u>
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The accompanying notes to the financial statements are an integral part of this statement.

***The North Carolina Partnership for Children, Inc.***  
***Statement of Revenues, Expenses, and Changes in Net Assets***  
***For the Year Ended June 30, 2009***

***Exhibit B***

<b>OPERATING REVENUES</b>	\$ 0
<b>OPERATING EXPENSES</b>	
Salaries and Benefits	3,817,824
Contracted Services	1,385,968
Supplies and Materials	75,414
Other Operating Expenses	633,980
Fixed Charges and Other Expenses	409,329
Purchase of Noncapitalized Equipment	93,158
Depreciation	65,147
Total Operating Expenses	6,480,820
Operating Loss	(6,480,820)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State Aid	125,194,197
Interest Earnings	146,425
Private Contributions	891,113
Miscellaneous	272,269
Loss on Disposal of Capital Assets	(7,575)
Contract/Grant Expense	(121,368,388)
Total Nonoperating Revenues (Expenses)	5,128,041
Net Decrease in Net Assets	(1,352,779)
<b>NET ASSETS</b>	
Net Assets - July 1	7,048,868
Net Assets - June 30	\$ 5,696,089

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

***The North Carolina Partnership for Children, Inc.***  
***Statement of Cash Flows***  
***For the Year Ended June 30, 2009***

***Exhibit C***

**CASH FLOWS FROM OPERATING ACTIVITIES**

Payments to Employees and Fringe Benefits	\$ (3,774,025)
Payments to Vendors and Suppliers	(2,643,422)
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Cash Used by Operating Activities	(6,417,447)
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**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid	124,814,140
Grants to Local Partnerships and Other Organizations	(120,980,019)
Private Contributions	2,249,326
Other Receipts	272,269
	<hr/>
Net Cash Provided by Noncapital Financing Activities	6,355,716
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**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of Capital Assets	(38,993)
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Cash Used by Capital and Related Financing Activities	(38,993)
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Non-State Treasurer Investments	(30,675)
Interest on Investments	136,744
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Net Cash Provided by Investing Activities	106,069
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Net Increase in Cash and Cash Equivalents	5,345
Cash and Cash Equivalents - July 1	259,474
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Cash and Cash Equivalents - June 30	\$ 264,819
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**RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (6,480,820)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:	
Depreciation	65,147
Changes in Assets and Liabilities:	
Accounts Receivable	39,894
Prepaid Expenses	8,892
Accounts Payable	(94,359)
Accrued Payroll	26,384
Accrued Vacation Leave	17,415
	<hr/>
Net Cash Used for Operations	\$ (6,417,447)
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**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Loss on Disposal of Capital Assets	\$ 7,575
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The accompanying notes to the financial statements are an integral part of this statement.

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**THE NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** – The North Carolina Partnership for Children, Inc. (North Carolina Partnership) is a legally separate nonprofit organization incorporated on March 31, 1993. The North Carolina Partnership provides technical assistance and training for local Smart Start partnerships (currently 77) in the areas of program development, administration, organizational development, communication, financial management, technology, contracts management, and fundraising. The North Carolina Partnership adheres to a comprehensive accountability plan to ensure programs, services, and funds reach the children and families of North Carolina. The North Carolina Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.
- B. Financial Reporting Entity** – The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The North Carolina Partnership for Children, Inc. is a component unit of the State of North Carolina and is an integral part of the State's *Comprehensive Annual Financial Report* (CAFR).

Component units are legally separate entities for which the State is financially accountable. Accountability is defined as the State's substantive appointment of a majority of the component unit's governing board. Furthermore, to be financially accountable, the State must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific benefits to, or impose specific financial burdens on, the State. Financial accountability also exists when an organization is fiscally dependent upon the State.

As required by *General Statute 143B-168.12*, certain elected State officials appoint twenty-two of the North Carolina Partnership's board members, while three board members serve ex-officio by virtue of their State positions, and one serves as the Director of the More at Four Pre-Kindergarten Program. The State provides significant operating subsidies to the North Carolina Partnership creating a benefit/burden relationship.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Because of the State's appointment of the board and the benefit/burden relationship, the North Carolina Partnership is a component unit of the State of North Carolina and the North Carolina Partnership's financial statements are included in the State's CAFR.

The accompanying financial statements present all funds for which the North Carolina Partnership's Board of Directors is responsible.

- C. Basis of Presentation** – The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, governmental not-for-profit entities that reported as of June 30, 1999, using the American Institute of CPAs' Statement of Position 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, may report as special-purpose governments engaged only in business-type activities. As such, the full scope of the North Carolina Partnership's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Accounting*, the North Carolina Partnership does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

- D. Basis of Accounting** – The financial statements of the North Carolina Partnership have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the North Carolina Partnership receives (or gives) value without directly giving (or receiving) equal value in exchange includes State aid, certain grants, and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- E. Cash and Cash Equivalents** – This classification includes petty cash, cash on deposit with private bank accounts, and deposits held by the State Treasurer in the short-term investment fund. The short-term investment fund maintained by the State Treasurer has the general characteristics of a demand deposit account in that participants may deposit and withdraw cash at any time without prior notice or penalty.
- F. Investments** – This classification includes money market funds and nonnegotiable certificates of deposit with original maturities of more than three months. The money market funds are accounted for at fair value, as determined by share price. The net increase (decrease) in the fair value of investments is recognized as a component of investment income. The certificates of deposit are reported at cost, if purchased, or at fair market value or appraised value at the date of gift, if donated.
- G. Receivables** – Receivables consist of unexpended grant amounts due from local partnerships and amounts due from state government. Receivables also include amounts due from private pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are shown at book value with no provision for doubtful accounts considered necessary.
- H. Prepaid Expenses** – The North Carolina Partnership records expenses allocable to future periods as prepaid expenses.
- I. Capital Assets** – Capital assets are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts.

The North Carolina Partnership capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 3 to 15 years for equipment.

- J. Restricted Assets** – Certain resources are reported as restricted assets because those amounts can be spent only for the specific purposes stipulated by eternal resource providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or removed only with the consent of the resource providers.
- K. Due to the State** – The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to the State of North Carolina.

- L. Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities consist of compensated absences that will not be paid within the next fiscal year.
- M. Compensated Absences** – The North Carolina Partnership’s policy is to record the cost of vacation leave when earned. The policy provides for a maximum accumulation of unused vacation leave of 30 days which can be carried forward each January 1st or for which an employee can be paid upon termination of employment.

The North Carolina Partnership has the policy of recording the cost of sick leave when taken and paid rather than when the leave is earned. The policy provides for unlimited accumulation of sick leave, but the employee cannot be compensated for any unused sick leave upon termination of employment.

When classifying compensated absences into current and noncurrent, leave is considered taken using a last-in, first-out method.

The North Carolina Partnership recognizes four separate employment types, distinguished by the expected duration of employment and the number of hours regularly worked each week. The four categories are: Regular Full-Time, Part-Time with Full Benefits, Part-Time “Time-Limited”, and Part-Time with Partial Benefits. Each employment type provides for different eligibility levels of benefits. These employment types do not alter the employment-at-will doctrine and, therefore, do not guarantee employment for any specified period of time. Benefits are subject to change from time to time, and may be reduced, modified, or terminated at the discretion of the North Carolina Partnership.

- N. Net Assets** – The North Carolina Partnership’s net assets are classified as follows:

**Invested in Capital Assets** – This represents the North Carolina Partnership’s total investment in capital assets.

**Restricted Net Assets – Nonexpendable** – Nonexpendable restricted net assets consist of an endowment for which the use is limited by the donor, and, as a condition of the gift, the principal is to be maintained in perpetuity.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**Restricted Net Assets – Expendable** – Expendable restricted net assets include those resources in which the North Carolina Partnership is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

**Unrestricted Net Assets** – Unrestricted net assets include resources derived from unrestricted gifts and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based on management decision.

- O. Revenue and Expense Recognition** – The North Carolina Partnership classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets. Operating revenues and expenses generally result from providing services that are necessary to the North Carolina Partnership's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have characteristics of nonexchange transactions. Revenues from nonexchange transactions and State aid that represent subsidies or gifts to the North Carolina Partnership, as well as investment income, are considered nonoperating since these are either capital or noncapital financing or investing activities. Capital contributions are presented separately after nonoperating revenues and expenses.

- P. Public and Private Funding** – The North Carolina Partnership's major sources of funding are from the State of North Carolina based on cost-reimbursement contracts and from private contributions. Advances are received on the cost-reimbursement contracts with the State for anticipated expenses.

Private contributions are recorded when promises (pledges) are made or when support is received from private sources. Private contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Pledges from private sources are recorded when made. The majority of the pledges receivable recorded are from major foundations and are considered collectible. Pledges designated for the following year's operations are reflected as current pledges receivable while pledges designated for future years are reflected as non-current pledges receivable in the accompanying Statement of Net Assets.

### NOTE 2 - DEPOSITS AND INVESTMENTS

- A. Deposits** – All funds of the North Carolina Partnership are deposited in board-designated official depositories or brokerage firms. The North Carolina Partnership's deposits include cash on deposit outside the State Treasurer, deposits held by the State Treasurer, and certificates of deposit. The amount shown on the Statement of Net Assets as cash and cash equivalents includes cash on hand totaling \$250, deposits in private financial institutions with a carrying value of \$175,662, and a bank balance of \$240,171, and deposits held by the State Treasurer totaling \$88,907. Included in the deposits in private financial institutions are certificates of deposit in the amount of \$3,800,000 reported as investments in the Statement of Net Assets.

The cash on deposit with the State Treasurer is pooled with state agencies and similar institutions and represents the North Carolina Partnership's equity position in the State Treasurer's Short-Term Investment Fund. The Short-Term Investment Fund (a portfolio within the State Treasurer's Investment Pool, an external investment pool that is not registered with the Securities and Exchange Commission and does not have a credit rating) had a weighted average maturity of 1.8 years as of June 30, 2009. Assets and shares of the Short-Term Investment Fund are valued at amortized cost, which approximates fair value. Deposit and investment risks association with the State Treasurer's Investment Pool (which includes the State Treasurer's Short-Term Investment Fund) are included in the State of North Carolina's *Comprehensive Annual Financial Report*. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Proceed directly to OSC's index page," then "Reports," or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

The North Carolina Partnership's deposits with each commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Custodial credit risk is the risk that in the event of a bank failure, the North Carolina Partnership's deposits may not be returned to it. The North Carolina Partnership does not have a deposit policy for

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

custodial credit risk. The North Carolina Partnership's bank deposits in excess of the FDIC insured limit totaled \$2,668,794 at June 30, 2009.

- B. Investments** – There are no legal limitations on the types of investments by the North Carolina Partnership. The North Carolina Partnership has adopted formal investment policies and manages its investments to ensure they can be converted into cash when needed. At June 30, 2009, the North Carolina Partnership's investments at fair value, as well as information about interest rate risk and credit risk, were as follows:

Investment Type	Fair Value	Properties of Debt Investments	
		Weighted Average Maturities	Ratings
Debt Investment:			
Money Market Funds	\$ 701,664	41 days	Unrated
Other Investment:			
Certificates of Deposit	<u>3,800,000</u>		
Total Investments	<u>\$ 4,501,664</u>		

Certificates of deposit reported as investments are also a component of the deposit totals reported in the deposits section of this note. The money market funds are not insured or guaranteed by the FDIC.

A reconciliation of deposits and investments for the North Carolina Partnership to the basic financial statements at June 30, 2009, is as follows:

	Amount
Petty Cash	\$ 250
Carrying Amount of Deposits with Private Financial Institutions	175,662
Investments in the Short Term Investment Fund	88,907
Money Market Funds	701,664
Investments in Certificates of Deposit	<u>3,800,000</u>
Total Deposits and Investments	<u>\$ 4,766,483</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Current:		
Cash and Cash Equivalents	\$	264,819
Investments		82,128
Restricted Investments		619,536
Noncurrent:		
Investments		2,100,000
Restricted Investments		<u>1,700,000</u>
Total Deposits and Investments	\$	<u><u>4,766,483</u></u>

### NOTE 3 - RECEIVABLES

**A. Accounts Receivable** – The gross accounts receivable were:

	<u>June 30, 2009</u>
Due from Local Partnership Grantees	\$ 639,940
Interest Receivable	89,689
Sales Tax Receivable	26,231
Other Receivables	<u>19,675</u>
Total Accounts Receivable	<u><u>\$ 775,535</u></u>

The North Carolina Partnership expects to collect these receivables.

**B. Pledges Receivable** – The North Carolina Partnership has pledges receivable in the amount of \$1,118,136 that are collectible in the fiscal year ending June 30, 2010. Due to the nature of the donor organizations, the North Carolina Partnership considers these pledges to be collectible.

### NOTE 4 - CAPITAL ASSETS

A summary of changes in the capital assets for the year ended June 30, 2009, is presented as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Capital Assets, Depreciable:				
Machinery and Equipment	\$ 435,570	\$ 38,993	\$ 15,038	\$ 459,525
Less Accumulated Depreciation	<u>225,511</u>	<u>65,147</u>	<u>7,463</u>	<u>283,195</u>
Capital Assets, Depreciable, Net	<u>\$ 210,059</u>	<u>\$ (26,154)</u>	<u>\$ 7,575</u>	<u>\$ 176,330</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2009, is presented as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
Accrued Vacation Leave	\$ 192,047	\$ 196,665	\$ 179,250	\$ 209,462	\$ 7,490

### NOTE 6 - LEASE OBLIGATIONS - OPERATING

The North Carolina Partnership entered into operating leases for office rent. Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2009:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2010	\$ 323,851
2011	274,647
2012	1,884
2013	785
Total Minimum Lease Payments	<u>\$ 601,167</u>

Rental expense for all operating leases during the year was \$338,129.

### NOTE 7 - FUNCTIONAL EXPENSES

The costs of providing the various programs and activities have been presented by their natural classification in the Statement of Revenues, Expenses, and Changes in Net Assets. Also, Schedule 1, accompanying the financial statements, provides a summarization of those expenses by their functional categories for each fiscal year. Following are the functional categories and the services associated with those functions:

#### A. Program Functions

**Comprehensive Training Events** – Expenses that are incurred in the provision of training events that foster an understanding of comprehensive early childhood service delivery and best practices in multiple functional areas. Participants may include State and local partnership board members, staff and committee members, direct service providers, early childhood leaders and professionals, and others involved

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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in the development of various facets of a comprehensive early childhood delivery system.

**Finance** – Responsible for the oversight of the accounting, financial reporting, and contracting functions for the local partnerships and the North Carolina Partnership. Also responsible for the provision of technical assistance and training to the local partnerships.

**Financial Services** – Responsible for performing financial monitoring of, and providing technical assistance and training to, the local partnerships.

**Local Partnership Administration** – Grants distributed to local partnerships for administering the Smart Start program on the local level.

**Local Partnership Services** – Grants distributed to local partnerships to perform direct services activities for the Smart Start program on the local level.

**Organizational Development** – Privately funded program to provide technical assistance, resources and support necessary to enhance the organizational capacity of the North Carolina Partnership and local partnerships to help ensure long-term success and sustainability as nonprofit organizations. Priorities are increased diversity and inclusion, strengthened governance and executive leadership, deepened grassroots community engagement and advocacy, and increased diversification of funding sources.

**Program and Planning** – Responsible for the approval of local partnership strategic plans and activities as well as performing programmatic monitoring of and technical assistance and training to the local partnerships. Also, responsible for building the program capacity of local partnerships and facilitating the development and implementation of coordinated state-level systems of service.

**Public Information** – Provision of outreach materials and technical assistance to local partnerships in the areas of crisis communication, media relations, desktop publishing, and special event planning.

**Regional Accounting (MAC)** – Used to account for costs associated with the implementation and support of the Multi-Partnership Accounting and Contracting (MAC) plan. Costs include personnel, telecommunications systems, software, equipment, and supplies related to the support for the MAC sites.

**Technical Assistance – Other States** – Privately funded program that assists local communities and other states in the development,

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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implementation, and integration of comprehensive community-based early childhood initiatives that primarily benefit children ages' birth to five.

**Technology** – Provision of technical assistance and training to the North Carolina Partnership and to the local partnership staff. Technical assistance is provided in areas of selecting hardware, software, and acquiring outside consultants for training.

### B. Support Functions

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

**Contracts** – Responsible for establishing and maintaining funding contracts with the local partnerships for (1) administrative costs; and (2) direct service activities related to services to children and families. Also provide technical assistance to local partnerships on the use of the North Carolina Partnership's contracts system.

**Development** – Expenses that are incurred to induce others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

**Fiscal** – Responsible for maintaining the financial records and processing payments and receipts for the North Carolina Partnership. Also, responsible for developing and implementing proper accounting policies and procedures.

**Human Resources** – Responsible for the administration of personnel related services and functions, including employee relations, recruiting compensation and benefits, job descriptions, performance management, maintenance of employee records, and compliance with employment regulations.

### NOTE 8 - DEFERRED COMPENSATION PLAN

**Supplemental Retirement Income Plan** – IRC Section 401(k) Plan – The North Carolina Partnership provides a Supplemental Retirement Income Plan (Plan), which is a defined contribution plan, created under Internal Revenue Code Section 401(k). The Plan is open to all employees who have attained the

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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age of 18 and have at least three months service. The North Carolina Partnership makes a safe-harbor contribution to the Plan each year equal to 3% of the participants' compensation and may make additional discretionary employer contributions. For the year ended June 30, 2009, the North Carolina Partnership's Plan contributions were \$199,979.

### **NOTE 9 - RISK MANAGEMENT**

The North Carolina Partnership is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are managed using a combination of methods, including purchase of commercial insurance and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years. Fire, coverage for other property losses, and vehicular liability insurance are covered by contracts with private insurance companies.

The North Carolina Partnership is protected for losses from employee dishonesty and computer fraud for employees. The blanket honesty bond is with a private insurance company with coverage of \$250,000 per occurrence and a \$1,000 deductible. Employees are provided health care coverage by Blue Cross Blue Shield of North Carolina. The Plan is funded by employer and employee contributions and is administered by a third party contractor.

The North Carolina Partnership makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act by purchasing workers' compensation insurance for employees through a private insurance company.

### **NOTE 10 - COMMITMENTS**

The North Carolina Partnership has outstanding commitments on cost-reimbursement contracts totaling \$134,336 as of June 30, 2009.

### **NOTE 11 - RELATED PARTY TRANSACTIONS**

**Local Partnership Contracts with Board Member Organizations** – The board members of the North Carolina Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the North Carolina Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the North

## **NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

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Carolina Partnership entered into contracts with board member organizations for local partnership activities as identified on Schedule 2 accompanying the financial statements.

### **NOTE 12 - CONSOLIDATION OF EARLY CHILDHOOD PROGRAMS**

North Carolina Session Law 2009-451, Section 10.7A, established a task force to develop a plan to consolidate early childhood agencies and programs. The impact, if any, to the North Carolina Partnership, is uncertain.

***The North Carolina Partnership for Children, Inc.***  
***Schedule of Functional Expenses***  
***For the Year Ended June 30, 2009***

***Schedule 1***

	<b>Total</b>	<b>Salaries and Benefits</b>	<b>Contracted Services</b>	<b>Supplies and Materials</b>	<b>Other Operating Expenses</b>	<b>Fixed Charges and Other Expenses</b>	<b>Noncapitalized Equipment/ Depreciation/ Loss on Disposals</b>	<b>Contract/ Grant Expense</b>
<b>Programs:</b>								
Comprehensive Training Events	\$ 294,782	\$ 0	\$ 102,669	\$ 332	\$ 187,440	\$ 3,397	\$ 0	\$ 944
Finance	195,557	180,625		104	9,151	5,677		
Financial Services	557,161	524,992		379	31,790			
Local Partnership Administration	14,819,986							14,819,986
Local Partnership Services	105,209,976							105,209,976
Organizational Development	733,817	125,991	552,447	1,012	29,024		6,415	18,928
Program and Planning	1,325,089	1,036,048	142,696	638	42,410	21,886		81,411
Public Information	309,038	213,055	58,185	59	33,404	4,335		
Regional Accounting (MAC)	1,500,383	270,673	5,860	11,481	50,239	16,004	36,170	1,109,956
Technical Assistance - Other States	796,510	164,954	397,555	127	121,626	163		112,085
Technology	380,339	243,455	3,368	29,836	41,799	9,429	52,452	
	<u>126,122,638</u>	<u>2,759,793</u>	<u>1,262,780</u>	<u>43,968</u>	<u>546,883</u>	<u>60,891</u>	<u>95,037</u>	<u>121,353,286</u>
<b>Support:</b>								
Administration	1,176,684	571,664	83,835	31,067	74,239	344,934	70,843	102
Contracts	186,323	185,831		31	461			
Development	53,097	33,881	150		2,829	1,237		15,000
Fiscal	202,268	177,021	22,713	297	2,237			
Human Resources	115,773	89,634	16,490	51	7,331	2,267		
	<u>1,734,145</u>	<u>1,058,031</u>	<u>123,188</u>	<u>31,446</u>	<u>87,097</u>	<u>348,438</u>	<u>70,843</u>	<u>15,102</u>
<b>Total Expenditures</b>	<u>\$ 127,856,783</u>	<u>\$ 3,817,824</u>	<u>\$ 1,385,968</u>	<u>\$ 75,414</u>	<u>\$ 633,980</u>	<u>\$ 409,329</u>	<u>\$ 165,880</u>	<u>\$ 121,368,388</u>

***The North Carolina Partnership for Children, Inc.***  
***Schedule of Contract and Grant Expenses***  
***For the Year Ended June 30, 2009***

***Schedule 2***

<b>Organization Name</b>	<b>Amount Expended</b>	<b>Refund Due</b>
Alamance Partnership for Children	\$ 1,346,166	\$ (9,880)
Albemarle Smart Start Partnership, Inc.	1,627,051	(12,737)
Alexander County Partnership for Children, Inc.	566,393	(7,025)
Alleghany Partnership for Children, Inc.	210,180	(1)
Anson County Partnership for Children	565,142	
Ashe County Partnership for Children	458,257	
Avery County Smart Start: A Partnership for Children	273,551	
Beaufort/Hyde Partnership for Children	612,071	(668)
Bladen Smart Start-A Partnership for Children, Inc.	516,814	
Buncombe County Partnership for Children, Inc.	2,720,453	(5,317)
Burke County Smart Start, Inc.	2,136,863	(1,813)
Cabarrus County Partnership for Children	* 2,332,737	(14,050)
Caldwell County Smart Start A Partnership for Young Children	1,658,182	(2,460)
Carteret County Partnership for Children	890,709	(331)
Caswell County Partnership for Children	344,203	(14,374)
Catawba County Partnership for Children	1,994,124	(72)
Chatham County Partnership for Children	1,003,746	(1,607)
Children and Youth Partnership for Dare County, Inc.	472,099	(5,178)
Children's Council of Watauga County, Inc.	362,851	(283)
Cleveland County Partnership for Children, Inc.	1,583,415	(8,030)
Columbus County Partnership for Children, Incorporated	624,692	(5,373)
Craven Smart Start, Inc.	1,163,698	(13,443)
Down East Partnership for Children	* 3,095,647	(22,375)
Duplin County Partnership for Children	984,609	(3,259)
Durham's Partnership for Children	3,370,070	(5,297)
Franklin-Granville-Vance Partnership for Children, Inc.	1,778,671	(72,956)
Guilford County Partnership for Children, Inc.	4,474,505	(123)
Harnett County Partnership for Children, Inc.	1,373,368	(33,741)
Hertford County Partnership for Children, Inc.	519,069	(6,209)
Hoke County Partnership for Children and Families	1,164,819	(386)
Iredell County Partnership for Young Children, Inc.	1,891,350	(2,800)
Jones County Partnership for Children	305,789	
Lee County Partnership for Children	923,030	(1,361)

***The North Carolina Partnership for Children, Inc.  
Schedule of Contract and Grant Expenses  
For the Year Ended June 30, 2008***

***Schedule 2  
Page 2***

<b>Organization Name</b>	<b>Amount Expended</b>	<b>Refund Due</b>
Lenoir/Greene County Partnership for Children	2,045,369	(5,393)
Madison County Partnership for Children and Families, Inc.	512,085	(9,275)
Martin/Pitt Partnership for Children, Inc.	1,956,606	(27,172)
McDowell County Partnership for Children and Families, Inc.	687,054	(163)
Mecklenburg Partnership for Children	9,568,712	(34,177)
Montgomery County Partnership for Children	705,841	
Northampton Partnership for Children, Inc.	239,909	(710)
Onslow County Partnership for Children, Inc.	2,943,934	(82)
Orange County Partnership for Young Children	2,670,687	(2,220)
Pamlico Partnership for Children, Inc.	207,208	
Partners for Children and Families, Inc. (Moore County)	1,097,322	(1,630)
Partnership for Children of Cumberland County, Inc.	5,716,029	(5,310)
Partnership for Children of Johnston County, Inc.	2,053,268	(3,475)
Partnership for Children of Lincoln/Gaston Counties, Inc.	3,288,677	(30,827)
Person County Partnership for Children	729,121	(7,999)
Randolph County Partnership for Children	1,628,038	(22,686)
Region A Partnership for Children	1,790,493	(15,563)
Richmond County Partnership for Children	947,924	(4,741)
Robeson County Partnership for Children	2,245,400	(20,539)
Rockingham County Partnership for Children, Inc.	1,206,480	(2,658)
Rutherford/Polk Smart Start Partnership	1,031,990	(16,649)
Sampson County Partnership for Children	938,049	(138)
Scotland County Partnership for Children and Families, Inc.	578,777	(3,907)
Smart Start of Brunswick County, Inc.	1,000,947	(3,407)
Smart Start of Davidson County, Inc.	2,524,874	(1,101)
Smart Start of Davie County, Inc.	464,031	(874)
Smart Start of Forsyth County	5,485,036	
Smart Start of Henderson County, Inc.	1,037,021	(2,172)
Smart Start of New Hanover County	1,720,903	(1,067)
Smart Start of Pender County, Inc.	539,541	(288)
Smart Start of Transylvania County	234,503	(541)
Smart Start of Yadkin County, Inc.	561,512	(18,162)
Smart Start Rowan, Inc.	2,292,893	(37,106)



***The North Carolina Partnership for Children, Inc.***  
***Schedule of Contract and Grant Expenses***  
***For the Year Ended June 30, 2008***

***Schedule 2***  
***Page 3***

<b>Organization Name</b>	<b>Amount Expended</b>	<b>Refund Due</b>
Stanly County Partnership for Children	1,268,618	(9,683)
Stokes Partnership for Children	685,085	(6,369)
Surry County Early Childhood Partnership	1,045,710	(14,031)
The Chowan/Perquimans Smart Start Partnership	416,527	
The Halifax-Warren Smart Start Partnership for Children, Inc.	1,014,653	
The Mitchell-Yancey County Partnership for Children, Inc.	423,480	
The Partnership for Children of Wayne County, Inc.	1,386,471	(9,954)
Tyrrell-Washington Partnership for Children, Inc.	366,686	(4,335)
Union Smart Start	1,714,630	(2,464)
Various Other Organizations	170,525	
Wake County SmartStart	7,789,341	(35,947)
Wilkes Community Partnership for Children	971,250	
Wilson County Partnership for Children	734,818	
	<u>\$ 121,982,352</u>	<u>\$ (613,964)</u>

\* These organizations are represented on the Partnership's Board as described in Note 11 - Service Provider Contracts with Board Member Organizations.

***The North Carolina Partnership for Children, Inc.***  
***Schedule of State Aid***  
***For the Year Ended June 30, 2009***

***Schedule 3***

<u>State Grantor/Pass-through Grantor/Program</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
<b>State Aid:</b>			
North Carolina Department of Health and Human Services			
Division of Child Development			
Early Childhood Initiatives Program (Current Year) *	6434	\$ 119,676,557	\$ 119,676,557
Early Childhood Initiatives Program (Current Year) *	6433	5,504,912	5,504,912
Early Childhood Initiatives Program (Previous Years)	Various	(772)	(772)
North Carolina Department of Health and Human Services			
Division of Public Health			
Leadership Forum	NTAC013009	3,500	3,500
North Carolina Department of Public Instruction			
State Board of Education			
Early Childhood System/Policy	EP4617962	10,000	10,000
<b>Total State Aid</b>		<u>\$ 125,194,197</u>	<u>\$ 125,194,197</u>

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



**Beth A. Wood, CPA**  
State Auditor

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**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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Board of Directors  
The North Carolina Partnership for Children, Inc.  
Raleigh, North Carolina

We have audited the financial statements of The North Carolina Partnership for Children, Inc., a component unit of the State of North Carolina, as of and for the year ended June 30, 2009, and have issued our report thereon dated April 16, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the North Carolina Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Carolina Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Carolina Partnership's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the North Carolina Partnership's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the North Carolina Partnership's financial statements that is more than inconsequential will not be prevented or detected by the North Carolina Partnership's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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statements will not be prevented or detected by the North Carolina Partnership's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Carolina Partnership'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*.

This report is intended solely for the information and use of the management of The North Carolina Partnership for Children, Inc., the Audit and Finance Committee, the Board of Directors, others within the North Carolina Partnership, the State Controller, the Governor, and the General Assembly and is not intended to be, and should not be, used by anyone other than these specified parties.



Beth A. Wood, CPA  
State Auditor

April 16, 2010

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