

**Financial Statement Audit Report of**  
**Randolph County Partnership for Children**  
**Asheboro, North Carolina**  
**For the Year Ended June 30, 2005**

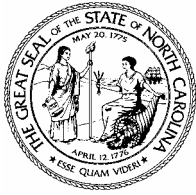
Performed Under Contract With the  
North Carolina Office of the State Auditor

Leslie W. Merritt, Jr. CPA, CFP  
State Auditor

**Financial Statement Audit Report of**  
**Randolph County Partnership for Children**  
**Asheboro, North Carolina**  
**For the Year Ended June 30, 2005**

**Board of Directors**  
**John Freeze, Chair**

**Administrative Officer**  
**Pauline A. McKee, Executive Director**



STATE OF NORTH CAROLINA  
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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**AUDITOR'S TRANSMITTAL**

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Directors, Randolph County Partnership for Children

This report presents the results of the financial statement audit of Randolph County Partnership for Children for the year ended June 30, 2005. Winston, Williams, Creech, Evans and Company, LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Randolph County Partnership for Children was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-16. This statute created the North Carolina Partnership for Children, Inc., and required the implementation of local partnerships. The Randolph County Partnership for Children is one of these local partnerships. As such, the Randolph County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 to have an annual financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the *North Carolina General Statutes*.

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

*Leslie W. Merritt, Jr.*

Leslie W. Merritt, Jr., CPA CFP  
State Auditor

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# Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



The CPA. Never Underestimate The Value.™

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Randolph County Partnership for Children  
Asheboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Randolph County Partnership for Children (Randolph Partnership) as of June 30, 2005, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Randolph 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 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.

As described in Note 1, the accompanying financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Randolph County Partnership for Children as of June 30, 2005, and the results of its operations arising from modified cash basis transactions for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards* we have also issued a report dated May 17, 2006, on our consideration of the Randolph Partnership's internal control over

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## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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financial reporting and 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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the Randolph County Partnership for Children's basic financial statements. The information in Schedules 1, 3, 4, and 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These Schedules have 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. The information in Schedule 2 has not been subjected to the auditing procedures applied to the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

*Winston, Williams, Creech, Evans and Company, LLP*

Winston, Williams, Creech, Evans and Company, LLP  
Certified Public Accountants

May 17, 2006

**Randolph County Partnership for Children**  
**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis**  
**For the Year Ended June 30, 2005**

**Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Permanently Restricted Funds	Total Funds
	Smart Start Fund	Other Funds			
<b>Receipts:</b>					
State Awards (less refunds of \$119,718)	\$ 1,433,989	\$ 583,784	\$ 0	\$ 0	\$ 2,017,773
Federal Awards	0	18,700	0	0	18,700
Private Contributions	0	3,588	72,639	12,702	88,929
Special Fund Raising Events	0	3,319	0	0	3,319
Interest and Investment Earnings	0	2,374	1,790	0	4,164
Sales Tax Refunds	0	2,898	0	0	2,898
<b>Total Receipts</b>	<b>1,433,989</b>	<b>614,663</b>	<b>74,429</b>	<b>12,702</b>	<b>2,135,783</b>
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	0	97,598	(97,598)	0	0
	<b>1,433,989</b>	<b>712,261</b>	<b>(23,169)</b>	<b>12,702</b>	<b>2,135,783</b>
<b>Expenditures:</b>					
Programs:					
Child Care and Education Affordability	272,877	57,548	0	0	330,425
Child Care and Education Quality	413,041	20,400	0	0	433,441
Family Support	217,865	3,279	0	0	221,144
Health and Safety	267,613	0	0	0	267,613
More at Four	0	571,659	0	0	571,659
Support:					
Management and General	207,188	50,780	0	0	257,968
Program Coordination	93,844	0	0	0	93,844
Program Evaluation	33,738	0	0	0	33,738
Other:					
Refund of Prior Year Grant	0	978	0	0	978
Sales Tax Paid	0	3,474	0	0	3,474
<b>Total Expenditures</b>	<b>1,506,166</b>	<b>708,118</b>	<b>0</b>	<b>0</b>	<b>2,214,284</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(72,177)</b>	<b>4,143</b>	<b>(23,169)</b>	<b>12,702</b>	<b>(78,501)</b>
<b>Net Assets at Beginning of Year</b>	<b>72,177</b>	<b>10,536</b>	<b>131,248</b>	<b>18,316</b>	<b>232,277</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ 14,679</b>	<b>\$ 108,079</b>	<b>\$ 31,018</b>	<b>\$ 153,776</b>
<b>Net Assets Consisted of:</b>					
Cash and Cash Equivalents	\$ 25,315	\$ 14,679	\$ 104,553	\$ 0	\$ 144,547
Benefit Interest in Community Foundation	0	0	3,526	31,018	34,544
Refunds Due From Contractors	22,478	0	0	0	22,478
	<b>47,793</b>	<b>14,679</b>	<b>108,079</b>	<b>31,018</b>	<b>201,569</b>
Less: Due to the Primary Government	(47,392)	0	0	0	(47,392)
Funds Held for Others	(401)	0	0	0	(401)
	<b>\$ 0</b>	<b>\$ 14,679</b>	<b>\$ 108,079</b>	<b>\$ 31,018</b>	<b>\$ 153,776</b>

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

**Randolph County Partnership for Children  
Statement of Functional Expenditures - Modified Cash Basis  
For the Year Ended June 30, 2005**

**Exhibit B**

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants	Participant Training Expenditures
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Affordability	\$ 272,877	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 272,877	\$ 0
Child Care and Education Quality	413,041	97,982	1,926	4,254	28,754	118,316	0	149,384	12,425
Family Support	217,865	44,390	435	4,966	9,041	799	1,596	156,638	0
Health and Safety	267,613	0	0	0	0	0	0	267,613	0
	<u>1,171,396</u>	<u>142,372</u>	<u>2,361</u>	<u>9,220</u>	<u>37,795</u>	<u>119,115</u>	<u>1,596</u>	<u>846,512</u>	<u>12,425</u>
<b>Support:</b>									
Management and General	207,188	139,190	13,427	5,430	21,523	18,225	9,393	0	0
Program Coordination	93,844	80,902	2,119	1,997	6,891	1,310	0	0	625
Program Evaluation	33,738	695	32,130	0	909	4	0	0	0
	<u>334,770</u>	<u>220,787</u>	<u>47,676</u>	<u>7,427</u>	<u>29,323</u>	<u>19,539</u>	<u>9,393</u>	<u>0</u>	<u>625</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 1,506,166</u>	<u>\$ 363,159</u>	<u>\$ 50,037</u>	<u>\$ 16,647</u>	<u>\$ 67,118</u>	<u>\$ 138,654</u>	<u>\$ 10,989</u>	<u>\$ 846,512</u>	<u>\$ 13,050</u>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Affordability	\$ 57,548	\$ 0	\$ 0	\$ 0	\$ 572	\$ 0	\$ 0	\$ 56,976	\$ 0
Child Care and Education Quality	20,400	20,400	0	0	0	0	0	0	0
Family Support	3,279	0	0	182	595	0	0	2,502	0
More at Four	571,659	8,951	0	2,081	310	0	0	560,317	0
	<u>652,886</u>	<u>29,351</u>	<u>0</u>	<u>2,263</u>	<u>1,477</u>	<u>0</u>	<u>0</u>	<u>619,795</u>	<u>0</u>
<b>Support:</b>									
Management and General	50,780	0	10,038	1,172	34,658	2,412	0	2,500	0
	<u>50,780</u>	<u>0</u>	<u>10,038</u>	<u>1,172</u>	<u>34,658</u>	<u>2,412</u>	<u>0</u>	<u>2,500</u>	<u>0</u>
<b>Other:</b>									
Refund of Prior Year Grant	978	0	0	0	978	0	0	0	0
Sales Tax Paid	3,474	0	0	0	3,474	0	0	0	0
	<u>4,452</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,452</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Funds Expenditures</b>	<u>\$ 708,118</u>	<u>\$ 29,351</u>	<u>\$ 10,038</u>	<u>\$ 3,435</u>	<u>\$ 40,587</u>	<u>\$ 2,412</u>	<u>\$ 0</u>	<u>\$ 622,295</u>	<u>\$ 0</u>

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



**RANDOLPH COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Randolph County Partnership for Children (Randolph Partnership) is a legally separate nonprofit organization incorporated on August 27, 1998. The Randolph Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Randolph Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

**B. Basis of Presentation** – The accompanying financial statements present all funds for which the Randolph Partnership’s Board of Directors is responsible. Pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this Statement, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

Contributions that are temporarily restricted and not expended within the year received are reported as an increase in temporarily restricted net assets. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Receipts, Expenditures, and Net Assets as net assets released from restrictions.

Permanently restricted net assets include gifts and contributions that are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Randolph Partnership. The net assets are invested in perpetuity with only the income from such investments available for program operations.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Investments** – This classification consists of funds invested in an endowment fund with the Community Foundation of Greater Greensboro, Inc., as reported in Note 11.
- F. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- G. Due to the Primary Government** - The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc., to be returned to the State of North Carolina.
- H. Funds Held For Others** – For the year ended June 30, 2005, the Randolph Partnership was holding amounts withheld from employee paychecks for distribution to the Partnership's pension provider.
- I. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Randolph Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Randolph Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2005. Donated items are recorded at estimated fair market value at the date of donation.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**J. Compensated Absences** – As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

**K. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Randolph Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

### NOTE 2 - DEPOSITS

All funds of the Randolph Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. Deposits over this amount subjects the Randolph Partnership to a concentration of credit risk. At June 30, 2005, the Randolph Partnership's bank deposits in excess of the FDIC insured limit was \$211,656.

### NOTE 3 - FUNDING FROM GRANT AWARDS

**Smart Start Program** - The Randolph Partnership's major source of revenue and support is from the State of North Carolina based on cost-reimbursement contracts with The North Carolina Partnership for Children, Inc. (NCPC) for the Smart Start Program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of the Randolph Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Randolph Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During the year, the North Carolina Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Randolph Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Randolph Partnership was awarded and has received \$1,553,707 under a current year Smart Start contract with NCPC. The unexpended balance of this

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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contract is subject to reversion to the State. The Randolph Partnership has returned \$47,392 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

The Randolph Partnership expects to receive continued funding through new Smart Start contracts with the State.

**More at Four** – The Randolph Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Randolph Partnership was awarded \$657,796 and received \$576,176 under a current year cost reimbursement contract. The Randolph Partnership expects to receive continued funding through new More at Four contracts with the State.

### NOTE 4 - RELATED PARTY TRANSACTIONS

- A. Service Provider Contracts with Board Member Organizations** - The board members of the Randolph Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Randolph Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Randolph Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Randolph Partnership's Smart Start Allocation.
- B. Other Related Parties** – A member of the Partnership's Board of Directors is the President and CEO of the local bank with which the Partnership maintains its deposits, as well as a mortgage which was paid off during the fiscal year. Quarterly mortgage payments were made for \$2,413 and the pay-off amount of the mortgage was \$1,560.

### NOTE 5 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis. Also, the Statement of Functional Expenditures – Modified Cash Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### A. Program Functions

**Child Care and Education Affordability** – Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral or health insurance benefits for child care providers.

**Child Care and Education Quality** - Used to account for service activities associated with public pre-K classes.

**Family Support** - Used to account for service activities including teen parent/child programs, ongoing parenting education, general family support, or community outreach, information, and resources.

**Health and Safety** - Used to account for service activities including prenatal/newborn services and child care health consultant.

**More at Four** – Used to account for development and implementation of More at Four prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

### B. Support Functions

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

**Program Evaluation** - Expenditures that are incurred to monitor the performance of service providers as to the delivery of services and adherence to the specific terms and conditions of the contracts.

**Program Coordination** – Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** – Direct allocation based on employee time reports.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**Other Costs** - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were allocated based on utilization data.

### NOTE 6 - LEASE OBLIGATIONS

- A. Operating Lease Obligations** - Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2005:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2006	<u>\$ 7,200</u>

Rental expense for all operating leases during the year was \$9,480.

- B. Capital Lease Obligations** - Capital lease obligations relating to computer equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2005:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2006	\$ 1,403
2007	1,696
2008	<u>1,680</u>
Total Minimum Lease Payments	<u>\$ 4,779</u>

### NOTE 7 - PENSION PLAN

**IRC Section 403(b) Plan** - All permanent employees who are full-time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the Randolph Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Randolph Partnership contributed 10% of gross wages for the year ended June 30, 2005. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. No costs are incurred by the Randolph Partnership.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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For the year ended June 30, 2005, the Randolph Partnership contributed \$20,005 for retirement benefits during the year.

### NOTE 8 - RISK MANAGEMENT

The Randolph Partnership is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Randolph Partnership manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions, health and life	Purchased commercial insurance	None
Workers Compensation – Employee injuries	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant losses to the Randolph Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** – As a result of the Randolph Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2005, is \$9,287. No funds or reservation of net assets has been made for this commitment.

### NOTE 10 - RESTRICTIONS ON NET ASSETS

**A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2005, are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Success by Six	\$ 18,862
Liberty Early Childhood Center - Renovations	85,379
Hayworth Building	312
Randolph County Partnership for Children Endowment Fund	3,526
Total	<u>\$ 108,079</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

**B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2005, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Success by Six	\$ 57,218
Liberty Early Childhood Center - Renovations	37,631
Celebrate Liberty's Children – Family Support	1,572
Hayworth Building	813
Randolph County Partnership for Children Endowment Fund	364
Total	<u>\$ 97,598</u>

### NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2005, are available for the following purposes:

Purpose	Amount
Randolph County Partnership for Children Endowment Fund	<u>\$ 31,018</u>

The Board of the Randolph Partnership authorized the establishment of the Randolph County Partnership for Children Endowment Fund (Endowment) through the North Carolina Community Foundation (Foundation). The Endowment shall be devoted to the support of Randolph County Partnership for Children and its programs. The Randolph Partnership presents the above amount as a beneficial interest in the foundation.

The agreement between the Randolph Partnership and the Foundation provides that all the contributions to the Endowment are irrevocable. The Endowment, including all investment income, capital gains, and subsequent contributions, are the Foundation's property. The Foundation will make annual distributions of the income earned on the Endowment, subject to Foundation's spending policy and the Partnership's discretion. The Foundation may distribute all or any part of the Endowment at the Foundation's discretion; however, it is the Foundation's general policy that a substantial part of the Endowment remains as a permanent endowment of the Foundation. The agreement also permits the Community Foundation to substitute another beneficiary in the place of the Randolph Partnership if the organization ceases to exist. Therefore, the Randolph Partnership has explicitly granted variance power to the Community Foundation. The Randolph Partnership's endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis as a Benefit Interest in the Community Foundation.



**Randolph County Partnership for Children**  
**Schedule of Contract and Grant Expenditures - Modified Cash Basis**  
**For the Year Ended June 30, 2005**

*Schedule 1*

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Asheboro City Schools	* \$ 113,686	\$ 1,930	\$ 220,680	\$ 0
Chimney Lane - Health Insurance Program	* 4,393			
Cooperative Extension	65,651	1,353		
Health Insurance Program	64,667			
Learning Pointe Academy	5,912			
Liberty Family Support			4,071	
My Circle of Friends	9,431			
Randolph Community College	* 45,014	4,190		
Randolph County Health Department	* 275,511	7,899		
Randolph County Library	51,186	246		
Randolph County Schools	* 213,939	6,860	397,544	
The Growing Place / First Baptist - Health Insurance Program	* 18,400			
	<u>867,790</u>	<u>22,478</u>	<u>622,295</u>	<u>0</u>
<b>Individuals:</b>				
Education Incentive	1,200			
	<u>1,200</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 868,990</u>	<u>\$ 22,478</u>	<u>\$ 622,295</u>	<u>\$ 0</u>

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

***Randolph County Partnership for Children  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2005***

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Child Care Services Association - WAGE\$ Program	\$ 203,640
Randolph County Department of Social Services *	820,998
	<u>\$ 1,024,638</u>

\* This organization is represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards.

**Randolph County Partnership for Children  
Schedule of Federal and State Awards - Modified Cash Basis  
For the Year Ended June 30, 2005**

**Schedule 3**

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
US Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development United Child Development Services	93.575	6228-3	\$ 18,700	\$ 20,400
<b>Total Federal Awards</b>			<u>18,700</u>	<u>20,400</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services Division of Child Development Pass-through from the North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program (Prior Year)		N/A	(72,326)	(149)
Early Childhood Initiatives Program (Current Year)	*	N/A	1,506,315	1,506,315
Multi-County Accounting and Contracting Grant (Prior Year)		N/A	(4,392)	
Multi-County Accounting and Contracting Grant (Current Year)		N/A	12,000	11,609
North Carolina Department of Health and Human Services More at Four Pre-Kindergarten Program	*	2090004345	576,176	571,659
<b>Total State Awards</b>			<u>2,017,773</u>	<u>2,089,434</u>
<b>Total Federal and State Awards</b>			<u>\$ 2,036,473</u>	<u>\$ 2,109,834</u>

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

**Notes to the Schedule of Federal and State Awards - Modified Cash Basis**

1. The accompanying schedule of federal and state awards includes the federal and State grant activity of the Randolph County Partnership for Children and is presented on the modified cash 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 financial statements.

2. The More at Four Pre-Kindergarten Program is contracted jointly by the North Carolina Department of Health and Human Services and the Office of the Governor. The allocations for the More at Four program are included in the budget for the North Carolina Department of Health and Human Services, therefore, the above schedule identifies that agency as the State Grantor. The Office of the Governor is responsible for oversight of the More at Four Program.

***Randolph County Partnership for Children  
Schedule of Property and Equipment - Modified Cash Basis  
For the Year Ended June 30, 2005***

***Schedule 4***

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Furniture and Noncomputer Equipment	\$	9,388
Computer Equipment/Printers		44,530
Buildings		168,177
Leasehold Improvements		<u>8,367</u>
Total Property and Equipment	\$	<u><u>230,462</u></u>

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

**Randolph County Partnership for Children  
Schedule of Qualifying Match (Non-GAAP)  
For the Year Ended June 30, 2005**

**Schedule 5**

***Match Provided at the Partnership Level:***

Cash	\$	84,576
In-Kind Goods and Services		<u>5,799</u>
	\$	<u><u>90,375</u></u>

***Match Provided at the Contractor Level:***

Cash	\$	202,274
In-Kind Goods and Services		<u>60,008</u>
	\$	<u><u>262,282</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2003-284, Section 10.38(c). The North Carolina Partnership for Children, Inc. and all local partnerships are required to match the total amount budgeted for the Smart Start Program in each fiscal year. The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.

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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  
Randolph County Partnership for Children  
Asheboro, North Carolina

We have audited the accompanying financial statements of the Randolph County Partnership for Children (Randolph Partnership) as of and for the year ended June 30, 2005, and have issued our report thereon dated May 17, 2006. 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.

As described in Note 1, the accompanying financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Randolph Partnership's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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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 (CONCLUDED)**

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Randolph County 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*. However, we noted certain immaterial matters that we reported to management of the Randolph County Partnership, in a separate letter dated May 17, 2006.

This report is intended solely for the information and use of the audit committee, management of the Randolph Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be and should not be used by anyone other than these specified parties.

*Winston, Williams, Creech, Evans and Company, LLP*

Winston, Williams, Creech, Evans and Company, LLP  
Certified Public Accountants

May 17, 2006



## **ORDERING INFORMATION**

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