

**Financial Statement Audit Report of**  
**Bladen County Partnership for Children, Inc.**  
**Elizabethtown, North Carolina**  
**For the Year Ended June 30, 2005**

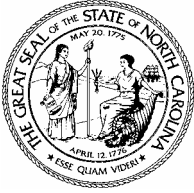
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North Carolina Office of the State Auditor

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

**Financial Statement Audit Report of**  
**Bladen County Partnership for Children, Inc.**  
**Elizabethtown, North Carolina**  
**For the Year Ended June 30, 2005**

**Board of Directors**  
**Kent Wooten, Chair**

**Administrative Officer**  
**Lillian Bryant, Executive Director**



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

STATE OF NORTH CAROLINA  
Office of the State Auditor

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet  
<http://www.ncauditor.net>

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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, Bladen County Partnership for Children, Inc.

This report presents the results of the financial statement audit of Bladen County Partnership for Children, Inc. 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 Bladen County Partnership for Children, Inc. 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 Bladen County Partnership for Children, Inc. is one of these local partnerships. As such, the Bladen County Partnership for Children, Inc. 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



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James P. Winston II, CPA  
Gary L. Williams, CPA  
Leonard R. Creech, Jr. CPA  
Carleen P. Evans, CPA

Jennifer T. Reese, CPA  
Elizabeth H. Jackson, CPA  
Traig B. Neal, CPA

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Bladen County Partnership for Children, Inc.  
Elizabethtown, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Bladen County Partnership for Children, Inc. (Bladen 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 Bladen 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 Bladen County Partnership for Children, Inc. 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 April 5, 2006, on our consideration of the Bladen Partnership's internal control over financial

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102 W. Spring Street P.O. Box 1366 Oxford, NC 27565 (919) 693-5196 fax (919) 693-7614  
12339-108 Wake Union Church Road Wake Forest, NC 27587 (919) 556-0282 Fax (919) 556-0349



www.wweccpa.com



## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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 Bladen County Partnership for Children, Inc.'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

April 5, 2006

**Bladen County Partnership for Children, Inc.**

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

**Exhibit A**

	Unrestricted Funds		Total Funds
	Smart Start Fund	Other Funds	
<b>Receipts:</b>			
State Awards (less refunds of \$43,756)	\$ 370,355	\$ 12,000	\$ 382,355
Private Contributions	0	849	849
Special Fund Raising Events	0	265	265
Sales Tax Refunds	0	1,344	1,344
Other Receipts	0	1,018	1,018
<b>Total Receipts</b>	<b>370,355</b>	<b>15,476</b>	<b>385,831</b>
<b>Expenditures:</b>			
Programs:			
Child Care and Education Quality	113,517	0	113,517
Family Support	80,504	40	80,544
Health and Safety	42,985	0	42,985
Support:			
Management and General	114,650	12,434	127,084
Program Coordination	41,358	1,374	42,732
Program Evaluation	9,350	0	9,350
Other:			
Refund of Prior Year Grant	0	116	116
Sales Tax Paid	0	2,371	2,371
<b>Total Expenditures</b>	<b>402,364</b>	<b>16,335</b>	<b>418,699</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(32,009)</b>	<b>(859)</b>	<b>(32,868)</b>
<b>Net Assets at Beginning of Year</b>	<b>32,009</b>	<b>(3,243)</b>	<b>28,766</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ (4,102)</b>	<b>\$ (4,102)</b>
<b>Net Assets Consisted of:</b>			
Cash and Cash Equivalents	\$ 26,099	\$ (4,102)	\$ 21,997
Refunds Due from Contractors	249	0	249
	26,348	(4,102)	22,246
Less: Due to the Primary Government	(26,348)	0	(26,348)
	<b>\$ 0</b>	<b>\$ (4,102)</b>	<b>\$ (4,102)</b>

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

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

***Exhibit B***

	<b>Total</b>	<b>Personnel</b>	<b>Contracted Services</b>	<b>Supplies and Materials</b>	<b>Other Operating Expenditures</b>	<b>Fixed Charges and Other Expenditures</b>	<b>Property and Equipment Outlay</b>	<b>Services/Contracts/Grants</b>
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 113,517	\$ 13,224	\$ 15,077	\$ 3,610	\$ 3,774	\$ 5,908	\$ 15,520	\$ 56,404
Family Support	80,504	11,938	5,165	2,556	2,184	4,731	0	53,930
Health and Safety	42,985	0	0	0	0	0	0	42,985
	<u>237,006</u>	<u>25,162</u>	<u>20,242</u>	<u>6,166</u>	<u>5,958</u>	<u>10,639</u>	<u>15,520</u>	<u>153,319</u>
<b>Support:</b>								
Management and General	114,650	68,440	13,041	2,633	15,553	14,335	648	0
Program Coordination	41,358	30,836	72	883	3,741	4,988	838	0
Program Evaluation	9,350	0	9,350	0	0	0	0	0
	<u>165,358</u>	<u>99,276</u>	<u>22,463</u>	<u>3,516</u>	<u>19,294</u>	<u>19,323</u>	<u>1,486</u>	<u>0</u>
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 402,364</b>	<b>\$ 124,438</b>	<b>\$ 42,705</b>	<b>\$ 9,682</b>	<b>\$ 25,252</b>	<b>\$ 29,962</b>	<b>\$ 17,006</b>	<b>\$ 153,319</b>
<b>Other Funds:</b>								
<b>Programs:</b>								
Family Support	\$ 40	\$ 0	\$ 40	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Support:</b>								
Management and General	12,434	0	12,404	0	30	0	0	0
Program Coordination	1,374	0	0	0	0	0	1,374	0
	<u>13,808</u>	<u>0</u>	<u>12,404</u>	<u>0</u>	<u>30</u>	<u>0</u>	<u>1,374</u>	<u>0</u>
<b>Other:</b>								
Refund of Prior Year Grant	116	0	0	0	0	116	0	0
Sales Tax Paid	2,371	0	0	2,371	0	0	0	0
	<u>2,487</u>	<u>0</u>	<u>0</u>	<u>2,371</u>	<u>0</u>	<u>116</u>	<u>0</u>	<u>0</u>
<b>Total Other Funds Expenditures</b>	<b>\$ 16,335</b>	<b>\$ 0</b>	<b>\$ 12,444</b>	<b>\$ 2,371</b>	<b>\$ 30</b>	<b>\$ 116</b>	<b>\$ 1,374</b>	<b>\$ 0</b>

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



**BLADEN COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** – The Bladen County Partnership for Children, Inc. (Bladen Partnership) is a legally separate nonprofit organization incorporated on August 21, 1997. The Bladen Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Bladen 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 Bladen 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.

The Bladen Partnership did not have any temporarily or permanently restricted net assets at June 30, 2005.

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

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 advanced 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. 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.
- F. 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.
- G. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Bladen Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Bladen 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.
- H. Compensated Absences** – As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 7.
- I. Use of Estimates** – The preparation of financial statements in conformity with the modified cash basis of accounting used by the Bladen Partnership requires management to make estimates and assumptions that affect

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 - FUNDING FROM GRANT AWARDS

**Smart Start Program** – The Bladen 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 Bladen Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Bladen 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 Bladen 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 Bladen Partnership was awarded and has received \$414,111 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Bladen Partnership has returned \$26,348 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

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

### NOTE 3 - RELATED PARTY TRANSACTIONS

**A. Service Provider Contracts with Board Member Organizations** – The board members of the Bladen Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Bladen Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Bladen 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 Bladen Partnership's Smart Start Allocation.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**B. Other Related Parties** – The Bladen Partnership entered into transactions for supplies with a private business associated with a board member and a relative of an employee of the Bladen Partnership. The amounts paid included:

Expenditures	Amount
Bladen Office Supplies	\$ 9,502

**NOTE 4 - FUNCTIONAL EXPENDITURES**

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

**A. Program Functions**

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

**Family Support** – Used to account for service activities including family resource centers, ongoing parenting education, or community outreach information and resources.

**Health and Safety** – Used to account for service activities including comprehensive screenings or child care health consultants.

**B. Support Functions**

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

**Program Coordination** – 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**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.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

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

### NOTE 5 - 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	\$ 8,772
2007	4,644
2008	4,644
2009	4,644
Total Minimum Lease Payments	<u>\$ 22,704</u>

Rental expense for all operating leases during the year was \$22,134.

### NOTE 6 - RISK MANAGEMENT

The Bladen 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 Bladen 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

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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

### NOTE 7 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** – As a result of the Bladen 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 \$1,854 plus applicable payroll taxes. No funds or reservation of net assets has been made for this commitment.

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

***Schedule 1***

<b>Organization Name</b>	<b>Smart Start Fund</b>		<b>Other Funds</b>	
	<b>Amount Advanced</b>	<b>Refund Due</b>	<b>Amount Advanced</b>	<b>Refund Due</b>
Bladen Community College	* \$ 28,367	\$ 249	\$ 0	\$ 0
Bladen County Health Department	* 29,085			
Bladen Family Support Initiative	* 53,931			
Children's Developmental Services Agency	* 13,900			
RC Gilbert	2,325			
Southeastern Community College	6,241			
	<u>133,849</u>	<u>249</u>	<u>0</u>	<u>0</u>
<b>Individuals:</b>				
Health Insurance Reimbursements Recipients	19,719			
	<u>\$ 153,568</u>	<u>\$ 249</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* These organizations are represented on the Partnership's Board as described in Note 3A - Service Provider Contracts with Board Member Organizations

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

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Bladen County Department of Social Services *	188,174
Child Care Services Association - WAGE\$ Program	<u>47,340</u>
	<u>\$ 235,514</u>

\* This organization is represented on the Partnership's Board as described in Note 3A - Service Provider Contracts with Board Member Organizations.

The information on this schedule provides the service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 2 - Funding from Grant Awards.



**Bladen County Partnership for Children, Inc.**  
**Schedule of State Awards - Modified Cash Basis**  
**For the Year Ended June 30, 2005**

**Schedule 3**

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
<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	(17,408)	14,601
Early Childhood Initiatives Program (Current Year)	N/A *	387,763	387,763
Multi-County Accounting and Contracting Grant (Current Year)	N/A	<u>12,000</u>	<u>12,000</u>
<b>Total State Awards</b>		<u>\$ 382,355</u>	<u>\$ 414,364</u>

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

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

1. The accompanying schedule of state awards includes the State grant activity of the Bladen County Partnership for Children, Inc. 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.

***Bladen County Partnership for Children, Inc.***  
***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	\$ 8,322
Computer Equipment/Printers	<u>22,729</u>
Total Property and Equipment	<u><u>\$ 31,051</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.

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

***Schedule 5***

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

Cash	\$	829
In-Kind Goods and Services		<u>25,799</u>
	\$	<u><u>26,628</u></u>

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

Cash	\$	30,050
In-Kind Goods and Services		<u>16,580</u>
	\$	<u><u>46,630</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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# Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



James P. Winston II, CPA  
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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  
Bladen County Partnership for Children, Inc.  
Elizabethtown, North Carolina

We have audited the accompanying financial statements of the Bladen County Partnership for Children, Inc. (Bladen Partnership) as of and for the year ended June 30, 2005, and have issued our report thereon dated April 5, 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bladen 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bladen County Partnership's financial statements are free of material misstatement, we performed tests of its compliance

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102 W. Spring Street P.O. Box 1366 Oxford, NC 27565 (919) 693-5196 fax (919) 693-7614  
12339-108 Wake Union Church Road Wake Forest, NC 27587 (919) 556-0282 Fax (919) 556-0349



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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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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*.

We noted certain matters that we reported to management of the Bladen Partnership in a separate letter dated April 5, 2006.

This report is intended solely for the information and use of the audit committee, management of the Bladen 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

April 5, 2006

## ORDERING INFORMATION

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