



# **STATE OF NORTH CAROLINA**

## **FINANCIAL STATEMENT AUDIT REPORT OF YADKIN COUNTY PARTNERSHIP FOR CHILDREN, INC.**

**YADKINVILLE, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2005**

**OFFICE OF THE STATE AUDITOR**

**LESLIE W. MERRITT, JR., CPA, CFP**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**  
**YADKIN COUNTY PARTNERSHIP FOR CHILDREN, INC.**

**YADKINVILLE, NORTH CAROLINA**

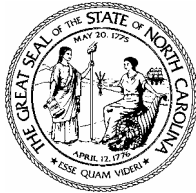
**FOR THE YEAR ENDED JUNE 30, 2005**

**BOARD OF DIRECTORS**

**WAYNE MATTHEWS, BOARD CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**DR. DWIGHT MORRIS, EXECUTIVE DIRECTOR**



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, Yadkin County Partnership for Children, Inc.

This report presents the results of our financial statement audit of the Yadkin County Partnership for Children, Inc., (Yadkin Partnership) for the year ended June 30, 2005. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

The accounts and operations of the Yadkin Partnership were subject to audit procedures as we considered necessary for us to report on the accompanying financial statements and supplementary information. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The audit of the Yadkin Partnership was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by General Statutes 143B-168.10-.16. These statutes created The North Carolina Partnership for Children, Inc., and required the implementation of local demonstration projects (local partnerships). The Yadkin Partnership is one of these local partnerships. As such, the Yadkin Partnership is a private nonprofit 501(c)(3) organization and is required by General Statute 143B-168.14(b) to have a financial and compliance audit conducted by the Office of the State Auditor.

The purpose of this report is to present the results of our audit on the accompanying financial statements. A summary of our reporting objectives and audit results are:

**1. Objective** – To express an opinion on the accompanying financial statements.

**Results** – The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with the modified cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Yadkin Partnership's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance or other matters, if any, with laws, regulations, contracts, or grant agreements.

**Results** - Our tests disclosed no significant deficiencies in the internal control over financial reporting and no instances of noncompliance or other matters that require disclosure herein 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.

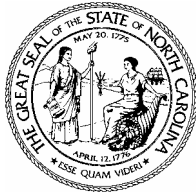


Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

## TABLE OF CONTENTS

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	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
FINANCIAL STATEMENTS	
EXHIBITS	
A    Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis .....	3
B    Statement of Functional Expenditures – Modified Cash Basis.....	4
Notes to the Financial Statements.....	5
SUPPLEMENTARY SCHEDULES	
1    Schedule of Contract and Grant Expenditures – Modified Cash Basis .....	13
2    Schedule of State Level Service Provider Contracts .....	14
3    Schedule of Federal and State Awards – Modified Cash Basis .....	15
4    Schedule of Property and Equipment – Modified Cash Basis .....	16
5    Schedule of Qualifying Match (Non-GAAP) .....	17
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	19
ORDERING INFORMATION .....	21



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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Yadkin County Partnership for Children, Inc.  
Yadkinville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Yadkin County Partnership for Children, Inc., (Yadkin 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 Yadkin 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 misstatements. 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 the Yadkin 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 our report dated June 2, 2006, on our consideration of the Yadkin Partnership's internal control over 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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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.

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



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

June 2, 2006

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

***Exhibit A***

	<b>Unrestricted Funds</b>		<b>Temporarily Restricted Funds</b>	<b>Total Funds</b>
	<b>Smart Start Fund</b>	<b>Other Funds</b>		
<b>Receipts:</b>				
State Awards (less refunds of \$19,496)	\$ 572,553	\$ 246,873	\$ 0	\$ 819,426
Federal Awards		7,957	603	8,560
Interest and Investment Earnings		7		7
Sales Tax Refunds		9,405		9,405
Other Receipts		55,212		55,212
<b>Total Receipts</b>	<b>572,553</b>	<b>319,454</b>	<b>603</b>	<b>892,610</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		1,188	(1,188)	
	<b>572,553</b>	<b>320,642</b>	<b>(585)</b>	<b>892,610</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	38,720			38,720
Child Care and Education Quality	214,848	10,761		225,609
Family Support	37,426	480		37,906
Health and Safety	76,727			76,727
More at Four	59,400	230,203		289,603
Support:				
Management and General	115,214	60,207		175,421
Program Coordination	49,714			49,714
Other:				
Refund of Prior Year Grant		180		180
Sales Tax Paid		1,627		1,627
<b>Total Expenditures</b>	<b>592,049</b>	<b>303,458</b>		<b>895,507</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(19,496)</b>	<b>17,184</b>	<b>(585)</b>	<b>(2,897)</b>
<b>Net Assets at Beginning of Year</b>	<b>19,496</b>	<b>25,966</b>	<b>2,117</b>	<b>47,579</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ 43,150</b>	<b>\$ 1,532</b>	<b>\$ 44,682</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 11,397	\$ 43,150	\$ 1,532	\$ 56,079
Refunds Due From Contractors	3,298			3,298
	<b>14,695</b>	<b>43,150</b>	<b>1,532</b>	<b>59,377</b>
Less: Due to the State	<b>14,695</b>			<b>14,695</b>
	<b>\$ 0</b>	<b>\$ 43,150</b>	<b>\$ 1,532</b>	<b>\$ 44,682</b>

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



***Yadkin County Partnership for Children, Inc.***  
***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
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 38,720	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,720
Child Care and Education Quality	214,848	45,312	14,688	11,674	8,333	16,599	9,306	108,936
Family Support	37,426							37,426
Health and Safety	76,727							76,727
More at Four	59,400							59,400
	<u>427,121</u>	<u>45,312</u>	<u>14,688</u>	<u>11,674</u>	<u>8,333</u>	<u>16,599</u>	<u>9,306</u>	<u>321,209</u>
<b>Support:</b>								
Management and General	115,214	93,500	2,391	1,452	10,127	7,744		
Program Coordination	49,714	46,035		1,299	1,008	42	1,330	
	<u>164,928</u>	<u>139,535</u>	<u>2,391</u>	<u>2,751</u>	<u>11,135</u>	<u>7,786</u>	<u>1,330</u>	
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 592,049</u>	<u>\$ 184,847</u>	<u>\$ 17,079</u>	<u>\$ 14,425</u>	<u>\$ 19,468</u>	<u>\$ 24,385</u>	<u>\$ 10,636</u>	<u>\$ 321,209</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 10,761	\$ 8,000	\$ 0	\$ 1,761	\$ 1,000	\$ 0	\$ 0	\$ 0
Family Support	480			480				
More at Four	230,203	1,270						228,933
	<u>241,444</u>	<u>9,270</u>		<u>2,241</u>	<u>1,000</u>			<u>228,933</u>
<b>Support:</b>								
Management and General	60,207	20,950	7,784	882	9,805	20,748	38	
<b>Other:</b>								
Refund of Prior Year Grant	180					180		
Sales Tax Paid	1,627			1,627				
	<u>1,807</u>			<u>1,627</u>		<u>180</u>		
<b>Total Other Funds Expenditures</b>	<u>\$ 303,458</u>	<u>\$ 30,220</u>	<u>\$ 7,784</u>	<u>\$ 4,750</u>	<u>\$ 10,805</u>	<u>\$ 20,928</u>	<u>\$ 38</u>	<u>\$ 228,933</u>

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

**YADKIN 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 Yadkin County Partnership for Children, Inc., (Yadkin Partnership) is a legally separate nonprofit organization incorporated on February 16, 1994. The Yadkin Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Yadkin 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 Yadkin 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 Yadkin Partnership did not have any 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 an increase to net assets. Amounts withheld from employee paychecks or

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 State.

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes petty cash and cash on deposit with private bank accounts.
- 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 State** – 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, Yadkin Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Yadkin 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 9.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Yadkin Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 Yadkin Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Yadkin Partnership to a concentration of credit risk. At June 30, 2005, the Yadkin Partnership's bank deposits in excess of the FDIC insured limit was \$14,831.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Yadkin 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 Yadkin 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 Yadkin Partnership was awarded and has received \$606,744 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Yadkin Partnership has returned \$14,695 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

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

**More at Four** – The Yadkin Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Yadkin Partnership was awarded \$239,326 and received \$234,873 under a current year

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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contract. The Yadkin Partnership does not expect to receive continued funding through new More at Four contracts with the State.

### NOTE 4 - RELATED PARTY TRANSACTIONS

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

### NOTE 5 - FUNCTIONAL EXPENDITURES

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

#### A. Program Functions

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

**Child Care and Education Quality** - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, salary supplements, or provider training.

**Family Support** - Used to account for service activities including ongoing parenting education or general family support.

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

**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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 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.

### 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 estimates of utilization. The Yadkin Partnership allocated a total of \$58,418 in other costs.

Summarized below are the costs allocated by expenditure classification:

<u>Other Costs Category</u>	<u>Amount</u>
Contracted Services	\$ 3,524
Supplies and Materials	1,546
Other Operating Expenses	11,545
Fixed Charges and Other Expenses	<u>41,803</u>
Total Allocated Costs	<u>\$ 58,418</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 6 - 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	\$ 32,400
2007	32,400
Total Minimum Lease Payments	<u>\$ 64,800</u>

Rental expense for all operating leases during the year was \$41,740.

### 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 Yadkin Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Yadkin 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. The Yadkin Partnership contributed \$15,316 for retirement benefits during the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 8 - RISK MANAGEMENT

The Yadkin 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 Yadkin 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 Yadkin 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 Yadkin 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 \$12,477. 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>
Family Support	\$ 587
Hispanic Community Coordinator	136
Interpretation Services/Materials for Hispanic Mothers in Child Birthing/Parenting	300
Parents as Teachers	509
	<u>\$ 1,532</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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**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
Family Support	\$ 708
Hispanic Community Coordinator	480
	<u>\$ 1,188</u>

### NOTE 11 - SUBSEQUENT EVENTS

The Yadkin Partnership discovered an error on its December 31, 2004, North Carolina Form E-585, Nonprofit and Governmental Entity Claim for Refund State and County Sales and Use Taxes. In September 2005, the Yadkin Partnership filed an amended December 31, 2004, North Carolina Form E-585 and refunded \$4,477 to the North Carolina Department of Revenue.

***Yadkin County Partnership for Children, Inc.***  
***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
Exchange Club Center for the Prevention of Child Abuse of North Carolina, Inc.	\$ 46,794	\$ (568)	\$ 0	\$ 0
Northwest Child Development Council, Inc. Boonville Children's Center	15,400		55,594	
Northwestern Regional Library	* 30,040	(1,388)		
Yadkin County Health Department	* 31,150	(649)		
Yadkin County Schools	* 100,939	(693)	96,501	
Yadkin Valley Economic Development District, Inc.	19,900		76,838	
	<u>244,223</u>	<u>(3,298)</u>	<u>228,933</u>	
<b>Individuals:</b>				
Quality Enhancement Grants	1,134			
Salary Supplements	79,150			
	<u>80,284</u>			
	<u>\$ 324,507</u>	<u>\$ (3,298)</u>	<u>\$ 228,933</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.

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

***Schedule 2***

Organization Name	DHHS Contracts
Yadkin County Department of Social Services	* \$ <u>161,166</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.

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

**Schedule 3**

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
<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				
Child Care Resource and Referral	93.575	6227-05	\$ 8,560	\$ 10,761
<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	(19,496)	
Early Childhood Initiatives Program (Current Year)	*	N/A	592,049	592,049
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
Capacity Building Grant				
North Carolina Department of Health and Human Services				
More at Four Pre-Kindergarten Program		2090004289	234,873	230,203
<b>Total State Awards</b>			819,426	834,252
<b>Total Federal and State Awards</b>			\$ 827,986	\$ 845,013

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

Note: 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.

***Yadkin 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	\$ 13,780
Computer Equipment/Printers	29,999
Leasehold Improvements	<u>52,140</u>
 Total Property and Equipment	 <u><u>\$ 95,919</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 basis of accounting, these items are expensed in the year of purchase.

***Yadkin 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:***

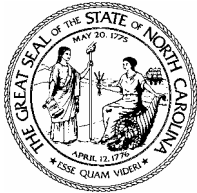
In-Kind Goods and Services	<u>\$ 8,442</u>
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***Match Provided at the Contractor Level:***

Cash	\$ 51,302
In-Kind Goods and Services	<u>50,418</u>
	<u>\$ 101,720</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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Leslie W. Merritt, Jr.,  
CPA, CFP  
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  
Yadkin County Partnership for Children, Inc.  
Yadkinville, North Carolina

We have audited the financial statements of the Yadkin County Partnership for Children, Inc., (Yadkin Partnership) as of and for the year ended June 30, 2005, and have issued our report thereon dated June 2, 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 Yadkin Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes 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 Yadkin 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



**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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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 audit committee, management of the Yadkin 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.



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

June 2, 2006

## **ORDERING INFORMATION**

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