

Financial Statement Audit Report of
Stanly County Partnership for Children
Albemarle, North Carolina
For the Year Ended June 30, 2006

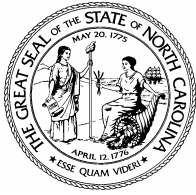
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North Carolina Office of the State Auditor

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

**Financial Statement Audit Report of
Stanly County Partnership for Children
Albemarle, North Carolina
For the Year Ended June 30, 2006**

**Board of Directors
Michael Scott, Chair**

**Administrative Officer
Barbara D. Whitley, Executive Director**



STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of Stanly County Partnership for Children for the year ended June 30, 2006. 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 Stanly 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 Stanly County Partnership for Children is one of these local partnerships. As such, the Stanly 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.

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State Auditor

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Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stanly County Partnership for Children
Albemarle, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Stanly County Partnership for Children (Stanly Partnership) as of June 30, 2006, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Stanly 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 Stanly County Partnership for Children as of June 30, 2006, 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 February 7, 2007 on our consideration of the Stanly 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

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INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Stanly County Partnership for Children'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.

Winston, Williams, Creech, Evans and Company, LLP

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

February 7, 2007

Stanly County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2006

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$36,735)	\$ 1,337,199	\$ 12,000	\$ 0	\$ 1,349,199
Federal Awards	0	13,405	5,045	18,450
Special Fund Raising Events	0	1,932	0	1,932
Interest and Investment Earnings	0	3,240	0	3,240
Sales Tax Refunds	0	2,624	0	2,624
Other Receipts	0	11,114	0	11,114
Total Receipts	1,337,199	44,315	5,045	1,386,559
Net Assets Released from Restrictions				
Satisfaction of Program Restrictions		1,949	(1,949)	0
	1,337,199	46,264	3,096	1,386,559
Expenditures:				
Programs:				
Child Care and Education Affordability	277,418	1,664	0	279,082
Child Care and Education Quality	414,393	12,973	0	427,366
Family Support	231,055	1,991	0	233,046
Health and Safety	153,733	0	0	153,733
Support:				
Management and General	151,121	10,496	0	161,617
Program Coordination	62,173	0	0	62,173
Program Evaluation	46,157	0	0	46,157
Other:				
Refund of Prior Year Grant	1,149	0	0	1,149
Sales Tax Paid	0	2,552	0	2,552
Total Expenditures	1,337,199	29,676	0	1,366,875
Excess of Receipts Over Expenditures	0	16,588	3,096	19,684
Net Assets at Beginning of Year	0	15,326	2,527	17,853
Net Assets at End of Year	\$ 0	\$ 31,914	\$ 5,623	\$ 37,537
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 33,527	\$ 31,318	\$ 5,623	\$ 70,468
Due from Employees	0	596	0	596
Refunds Due from Contractors	3,208	0	0	3,208
	36,735	31,914	5,623	74,272
Less: Due to the State	(36,735)	0	0	(36,735)
	\$ 0	\$ 31,914	\$ 5,623	\$ 37,537

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

Stanly County Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2006

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
Smart Start Fund:								
Programs:								
Child Care and Education Affordability	\$ 277,418	\$ 14,241	\$ 0	\$ 60	\$ 411	\$ 133	\$ 0	\$ 262,573
Child Care and Education Quality	414,393	229,247	0	13,614	48,495	48,292	9,276	65,469
Family Support	231,055	27,113	430	147	554	83	0	202,728
Health and Safety	153,733	0	0	0	0	0	0	153,733
	<u>1,076,599</u>	<u>270,601</u>	<u>430</u>	<u>13,821</u>	<u>49,460</u>	<u>48,508</u>	<u>9,276</u>	<u>684,503</u>
Support:								
Management and General	151,121	118,360	4,115	1,522	12,883	11,499	2,742	0
Program Coordination	62,173	46,985	0	322	10,502	3,421	638	305
Program Evaluation	46,157	8,388	37,769	0	0	0	0	0
	<u>259,451</u>	<u>173,733</u>	<u>41,884</u>	<u>1,844</u>	<u>23,385</u>	<u>14,920</u>	<u>3,380</u>	<u>305</u>
Other:								
Refund of Prior Year Grant	1,149	0	0	0	1,149	0	0	0
	<u>1,149</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,149</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Smart Start Fund Expenditures	<u>\$ 1,337,199</u>	<u>\$ 444,334</u>	<u>\$ 42,314</u>	<u>\$ 15,665</u>	<u>\$ 73,994</u>	<u>\$ 63,428</u>	<u>\$ 12,656</u>	<u>\$ 684,808</u>
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 1,664	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,664
Child Care and Education Quality	12,973	702	5,994	4,220	145	0	1,912	0
Family Support	1,991	0	0	1,949	0	42	0	0
	<u>16,628</u>	<u>702</u>	<u>5,994</u>	<u>6,169</u>	<u>145</u>	<u>42</u>	<u>1,912</u>	<u>1,664</u>
Support:								
Management and General	10,496	4,431	6,030	0	0	35	0	0
	<u>10,496</u>	<u>4,431</u>	<u>6,030</u>	<u>0</u>	<u>0</u>	<u>35</u>	<u>0</u>	<u>0</u>
Other:								
Sales Tax Paid	2,552	0	0	2,552	0	0	0	0
	<u>2,552</u>	<u>0</u>	<u>0</u>	<u>2,552</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Funds Expenditures	<u>\$ 29,676</u>	<u>\$ 5,133</u>	<u>\$ 12,024</u>	<u>\$ 8,721</u>	<u>\$ 145</u>	<u>\$ 77</u>	<u>\$ 1,912</u>	<u>\$ 1,664</u>

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

STANLY COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Stanly County Partnership for Children (Stanly Partnership) is a legally separate nonprofit organization incorporated on November 23, 1993. The Stanly Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Stanly 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 Stanly 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 Stanly Partnership did not have any permanently restricted net assets at June 30, 2006.

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 other amounts received in an agency capacity are recorded as funds held

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Due From Employees** – Due from employees represents health insurance premiums paid before year-end which will be withheld from employees' checks in the next fiscal year.
- 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 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.
- H. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Stanly Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Stanly 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, 2006. Donated items are recorded at estimated fair market value at the date of donation.
- I. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- J. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Stanly 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 Stanly 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 Stanly Partnership to a concentration of credit risk. At June 30, 2006, the Stanly Partnership's bank deposits in excess of the FDIC insured limit was \$12,537.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Stanly 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 Stanly 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 Stanly Partnership was awarded \$1,373,934 and has received \$1,337,199 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Stanly Partnership has returned \$36,735 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2006.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RELATED PARTY TRANSACTIONS

- A. Service Provider Contracts with Board Member Organizations** - The board members of the Stanly Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Stanly Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Stanly 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 Stanly Partnership's Smart Start Allocation.
- B. Other Related Parties** – The Stanly Partnership entered into transactions for contracted services with a relative of a board member and a relative of an employee of the Stanly Partnership. The amounts paid included:

<u>Expenditures</u>	<u>Amount</u>
Repair and Maintenance	\$ 3,396

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 including public pre-K classes and supplements for quality outside the Division of Child Development.

Child Care and Education Quality - Used to account for service activities including child care resource and referral, professional development, salary supplements, learning materials and teaching aids.

Family Support - Used to account for service activities including family resource centers and general family support.

Health and Safety - Used to account for service activities including child care health consultation and developmental screenings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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 indirectly allocated based on utilization data.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2006:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2007	\$ 71,809
2008	71,383
Total Minimum Lease Payments	<u>\$ 143,192</u>

Rental expense for all operating leases during the year was \$55,424.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 401(k) Plan – The Stanly Partnership has an IRC Section 401(k) plan (Plan). The Stanly Partnership and the Plan participants share the costs of administering the Plan. The administrative costs paid by the Stanly Partnership for the 2006 fiscal year was \$1,748. The participants pay administrative costs from their respective individual accounts. The Stanly Partnership makes a matching contribution equal to 50% of the first 6% of the employees' contributions. In addition, the Stanly Partnership makes an employer-based contribution of 1% of compensation that is shared by all eligible employees. This employer-based contribution occurs regardless to the amount of elective deferrals made by the employees. The Stanly Partnership contributed \$9,689, including both employer-based and matched contributions, for the year ended June 30, 2006.

NOTE 8 - RISK MANAGEMENT

The Stanly 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 Stanly 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 Stanly 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 Stanly 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, 2006, is \$16,295. No funds or reservation of net assets has been made for this commitment.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 10 - RESTRICTIONS ON NET ASSETS

- A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2006, are available for the following purposes:

Purpose	Amount
English As A Second Language	\$ 500
Parents As Teachers	78
CCRR Core Services Grant	5,045
	<u>\$ 5,623</u>

- B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2006, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Parents As Teachers	<u>\$ 1,949</u>

***Stanly County Partnership for Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2006***

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<i>Paid to Organizations:</i>				
All Star Learning Center	\$ 7,668	\$ 0	\$ 0	\$ 0
ARC Services, Inc.	47,809	461		
Bright Beginnings Daycare	3,125			
Countryside Daycare	5,133			
Countryside Kids Club	3,305			
Fun-N-Learning Daycare	3,980			
Kiddie Kare Daycare	10,449			
* Little Friends	6,860			
Love-N-Care	11,465			
* North Carolina Cooperative Extension of Stanly County	104,252			
The Playhouse Daycare	2,880		192	
Quality Child Care	28,972		1,472	
Richfield Child Development	14,768			
The Son-Shine Kids Learning Center	3,715			
* Stanly County Board of Education	139,218	296		
* Stanly County Health Department	108,835	2,451		
Stanly County Transportation	305			
* Susie's Friends Day Care	2,200			
Various Day Care Providers	18,583			
	<u>523,522</u>	<u>3,208</u>	<u>1,664</u>	<u>0</u>
<i>Paid to Individuals:</i>				
Education Service Incentives	65,580			
Infant Care Program	98,475			
Success On-line	439			
	<u>164,494</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 688,016</u>	<u>\$ 3,208</u>	<u>\$ 1,664</u>	<u>\$ 0</u>

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

***Stanly County Partnership for Children
Schedule of a State Level Service Provider Contracts
For the Year Ended June 30, 2006***

Schedule 2

Organization Name	DHHS Contracts
Stanly County Department of Social Services	* \$ <u>519,754</u>

* This organization is represented on the Partnership's Board as described in Note 4A - 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.

Stanly County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2006

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
US Department of Health and Human Services				
Pass-through from the North Carolina Department of				
Health and Human Services - Division of Child Development				
Pass-through from Child Care Resources Incorporated (CCRI)				
Child Care Resource and Referral (Prior Year)	93.575	6222-02	\$ 1,633	\$ 0
Child Care Resource and Referral (Current Year)	93.575	6345-02	16,817	11,771
Total Federal Awards			<u>18,450</u>	<u>11,771</u>
State Awards:				
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 (Current Year)	*	N/A	1,337,199	1,337,199
Multi-County Accounting and Contracting Grant (Current Year)			12,000	10,431
Total State Awards			<u>1,349,199</u>	<u>1,347,630</u>
Total Federal and State Awards			<u>\$ 1,367,649</u>	<u>\$ 1,359,401</u>

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

** Major Programs per OMB Circular A-133

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 Stanly 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.

***Stanly County Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2006***

Schedule 4

Furniture and Noncomputer Equipment	\$ 79,207
Computer Equipment/Printers	67,371
Buildings	289,814
Leasehold Improvements	300,621
Motor Vehicles	<u>15,959</u>
 Total Property and Equipment	 <u><u>\$ 752,972</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.

***Stanly County Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2006***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 2,345
In-Kind Goods and Services	<u>30,389</u>
	<u>\$ 32,734</u>

Match Provided at the Contractor Level:

Cash	\$ 120,244
In-Kind Goods and Services	<u>49,600</u>
	<u>\$ 169,844</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2005-276, Section 10.64(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.

Winston, Williams, Creech, Evans & Company, LLP

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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

Board of Directors
Stanly County Partnership for Children
Albemarle, North Carolina

We have audited the financial statements of the Stanly County Partnership for Children (Stanly Partnership) as of and for the year ended June 30, 2006, and have issued our report thereon dated February 7, 2007. 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 Stanly 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.

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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)**

Compliance and Other Matters

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

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

February 7, 2007

ORDERING INFORMATION

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