

**FINANCIAL STATEMENT AUDIT REPORT OF  
ALBEMARLE SMART START PARTNERSHIP, INC.**

**ELIZABETH CITY, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2006**

**PERFORMED UNDER CONTRACT WITH THE  
NORTH CAROLINA OFFICE OF THE STATE AUDITOR**

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

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**ALBEMARLE SMART START PARTNERSHIP, INC.**

**ELIZABETH CITY, NORTH CAROLINA**

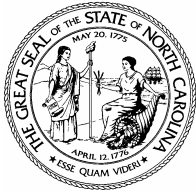
**FOR THE YEAR ENDED JUNE 30, 2006**

**BOARD OF DIRECTORS**

**DR. JIMMIE SHULER, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**DR. DENAUVO ROBINSON, EXECUTIVE DIRECTOR**



STATE OF NORTH CAROLINA  
Office of the 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, Albemarle Smart Start Partnership, Inc.

This report presents the results of our financial statement audit of Albemarle Smart Start Partnership, Inc. for the year ended June 30, 2006. Langdon & Company performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of Albemarle Smart Start Partnership, 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. Albemarle Smart Start Partnership, Inc. is one of these local partnerships. As such, Albemarle Smart Start Partnership, 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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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Albemarle Smart Start Partnership, Inc.  
Elizabeth City, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of Albemarle Smart Start Partnership, Inc. (Albemarle 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 Albemarle 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 Albemarle Smart Start Partnership, Inc. 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.

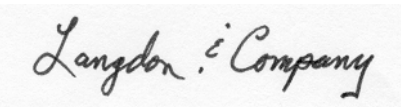
In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2006 on our consideration of the Albemarle Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Albemarle Smart Start Partnership, 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.



Garner, North Carolina

October 11, 2006

**Albemarle Smart Start Partnership, Inc.**  
**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		
<b>Receipts:</b>				
State Awards (less refunds of \$22,696)	\$ 707,155	50,910	0	\$ 758,065
Federal Awards (less refunds of \$7,703)	0	299,955	0	299,955
Private Contributions	0	18,963	0	18,963
Interest and Investment Earnings	0	1,784	0	1,784
Sales Tax Refunds	0	3,943	0	3,943
Other Receipts	0	47,941	0	47,941
<b>Total Receipts</b>	<b>707,155</b>	<b>423,496</b>	<b>0</b>	<b>1,130,651</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	0	36,984	(36,984)	0
	<b>707,155</b>	<b>460,480</b>	<b>(36,984)</b>	<b>1,130,651</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	22,722	6	0	22,728
Child Care and Education Quality	273,603	276,838	0	550,441
Family Support	143,435	7,531	0	150,966
Health and Safety	105,956	31,426	0	137,382
Support:				
Management and General	155,713	93,283	0	248,996
Program Evaluation	28,422	0	0	28,422
Other:				
Sales Tax Paid	0	2,873	0	2,873
<b>Total Expenditures</b>	<b>729,851</b>	<b>411,957</b>	<b>0</b>	<b>1,141,808</b>
<b>Excess of Expenditures Over Receipts</b>	<b>(22,696)</b>	<b>48,523</b>	<b>(36,984)</b>	<b>(11,157)</b>
<b>Net Assets at Beginning of Year</b>	<b>22,696</b>	<b>(24,006)</b>	<b>50,983</b>	<b>49,673</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>24,517</b>	<b>13,999</b>	<b>\$ 38,516</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 16,845	25,130	13,999	\$ 55,974
Refunds Due From Contractors	3,407	0	0	3,407
	<b>20,252</b>	<b>25,130</b>	<b>13,999</b>	<b>59,381</b>
Less: Due to the State	20,252	0	0	20,252
Funds Held for Others	0	613	0	613
	<b>20,252</b>	<b>613</b>	<b>0</b>	<b>20,865</b>
	<b>\$ 0</b>	<b>24,517</b>	<b>13,999</b>	<b>\$ 38,516</b>

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

**Albemarle Smart Start Partnership, Inc.**  
**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
<b>Smart Start Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 22,722	\$ 17,316	\$ 0	\$ 517	\$ 4,120	\$ 684	\$ 85	\$ 0
Child Care and Education Quality	273,603	165,550	0	5,595	29,091	6,285	2,656	64,426
Family Support	143,435	56,328	0	1,851	13,095	2,118	1,770	68,273
Health and Safety	105,956	0	0	0	0	0	0	105,956
	<u>545,716</u>	<u>239,194</u>	<u>0</u>	<u>7,963</u>	<u>46,306</u>	<u>9,087</u>	<u>4,511</u>	<u>238,655</u>
<b>Support:</b>								
Management and General	155,713	113,385	7,100	1,656	20,284	9,143	4,145	0
Program Evaluation	28,422	24,705	0	123	2,317	318	959	0
	<u>184,135</u>	<u>138,090</u>	<u>7,100</u>	<u>1,779</u>	<u>22,601</u>	<u>9,461</u>	<u>5,104</u>	<u>0</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 729,851</u>	<u>\$ 377,284</u>	<u>\$ 7,100</u>	<u>\$ 9,742</u>	<u>\$ 68,907</u>	<u>\$ 18,548</u>	<u>\$ 9,615</u>	<u>\$ 238,655</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 6	\$ 0	\$ 0	\$ 0	\$ 6	\$ 0	\$ 0	\$ 0
Child Care and Education Quality	276,838	180,134	15,223	3,855	19,458	13,334	475	44,359
Family Support	7,531	5,197	0	350	904	1,080	0	0
Health and Safety	31,426	19,710	0	473	9,631	1,483	19	110
	<u>315,801</u>	<u>205,041</u>	<u>15,223</u>	<u>4,678</u>	<u>29,999</u>	<u>15,897</u>	<u>494</u>	<u>44,469</u>
<b>Support:</b>								
Management and General	93,283	74,536	1,375	806	16,153	240	173	0
<b>Other:</b>								
Sales Tax Paid	2,873	0	0	2,873	0	0	0	0
<b>Total Other Funds Expenditures</b>	<u>\$ 411,957</u>	<u>\$ 279,577</u>	<u>\$ 16,598</u>	<u>\$ 8,357</u>	<u>\$ 46,152</u>	<u>\$ 16,137</u>	<u>\$ 667</u>	<u>\$ 44,469</u>

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



**ALBEMARLE SMART START PARTNERSHIP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** – Albemarle Smart Start Partnership, Inc. (Albemarle Partnership) is a legally separate nonprofit organization incorporated on July 31, 1998. The Albemarle Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Albemarle Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Effective June 13, 2006, Albemarle Partnership amended their Articles of Incorporation to reflect the expansion of services to Northeastern North Carolina.

- B. Basis of Presentation** – The accompanying financial statements present all funds for which the Albemarle 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 Albemarle 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 for others. In addition, Smart Start funds advanced to the local partnership that are unexpended and unearned at year-end are recorded as funds 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. 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. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Albemarle Partnership acts in an agency capacity. For the year ended June 30, 2006, the Albemarle Partnership was holding amounts withheld from employee paychecks for distribution to insurance companies.
- H. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Albemarle Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Albemarle 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- 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.
- J. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Albemarle 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 Albemarle Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subject the Albemarle Partnership to a concentration of credit risk. At June 30, 2006, the Albemarle Partnership's bank deposits were not in excess of the FDIC insured limit.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Albemarle 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, NCPC and the North Carolina Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Albemarle 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 Albemarle Partnership was awarded and has received \$750,102 under a current year Smart Start contract with NCPC. The unexpended balance of this

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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contract is subject to reversion to the State. The Albemarle Partnership has returned \$20,252 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2006.

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

**Regional Child Care Resource & Referral Program (CCR&R)** - The Albemarle Partnership's other major source of revenue and support is from the North Carolina Department of Health and Human Services based on a cost-reimbursement pass-through contract with Child Care Services Association (CCSA) for the Regional Child Care Resource & Referral Program.

The Albemarle Partnership was awarded \$267,234 under a current year contract and has received \$240,542 of this amount. The unexpended balance of this contract is subject to reversion to CCSA. The Albemarle Partnership has returned \$16,533 of this contract to CCSA based on financial status reports submitted to CCSA subsequent to June 30, 2006.

The Albemarle Partnership expects to receive continued funding through new Regional Child Care Resource & Referral Program contracts with CCSA.

**Family Support Network Program** - The Albemarle Partnership also received revenue and support from the North Carolina Department of Health and Human Services based on a cost-reimbursement pass-through contract with the University of North Carolina at Chapel Hill (UNC-CH) for the Family Support Network Program.

The Albemarle Partnership was awarded and has received \$10,700 under a current year contract with UNC-CH.

The Albemarle Partnership expects to receive continued funding through new Family Support Network program contracts with UNC-CH.

**Multi-County Accounting and Contracting** – The Albemarle Partnership also received revenue and support from the State of North Carolina for their participation in the Multi-County Accounting and Contracting Program. The unexpended balance of this contract is subject to reversion to the State. The Albemarle Partnership was awarded and has received \$36,000 under a current year contract for the payment of administrative and accounting services. The Albemarle Partnership expended the entire balance during the current year.

### NOTE 4 - RELATED PARTY TRANSACTIONS

**A. Service Provider Contracts with Board Member Organizations** - The board members of the Albemarle Partnership are representative of various

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

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organizations that benefit from actions taken by the Board. It is the policy of the Albemarle Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Albemarle 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 Albemarle Partnership's Smart Start Allocation.

**B. Management and Administrative Services** – The Albemarle Partnership provided enhanced management and administrative services to Bertie County Partnership for Children, Inc. from January 1, 2006 through June 30, 2006. The Albemarle Partnership expects to continue providing these services through June 30, 2007. Associated with these services, the following activities were recorded as other receipts in the accompanying financial statements:

<u>Receipts</u>	<u>Amount</u>
Executive Management and Fiscal Services	\$ 21,042
Enhanced Multi-County Accounting and Contracting Services	4,000
	<u>\$ 25,042</u>

**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 child care cost supports (DCD) and part-day care programs.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**Family Support** - Used to account for service activities including family resource centers, ongoing parenting education, and general family support.

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

### **B. Support Functions**

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

**Program Evaluation** - Expenditures that are incurred to monitor the effectiveness and feasibility of Partnership activities and contract agencies to determine if the short-term and long-term goals are being achieved.

### **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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 6 - OPERATING LEASES

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	\$ 3,911
2008	3,911
2009	3,911
2010	3,665
2011	960
2012 and beyond	<u>4,800</u>
Total Minimum Lease Payments	<u>\$ 21,158</u>

Rental expense for all operating leases during the year was \$5,702.

### NOTE 7 - PENSION PLAN

- A. Retirement Plans** - The Albemarle Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of the Albemarle Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Albemarle Partnership contributed 5% of gross wages for the year ended June 30, 2006. The Albemarle Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Albemarle Partnership contributed \$25,939 for pension benefits during the year.
- B. IRC Section 403(b) Plan** - All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. No costs were incurred by the Albemarle Partnership.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 8 - RISK MANAGEMENT

The Albemarle 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 Albemarle 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 Albemarle 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 Albemarle 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 \$43,551. 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, 2006 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Albemarle Hospital – Breastfeeding	\$ 3,023
Duke Endowment Fund	9,733
Duke Energy Foundation – Family Support	650
United States Coast Guard – Baby Kits	593
	<u>\$ 13,999</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, 2006, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Duke Endowment Fund	\$ 15,282
Duke Energy Foundation – Family Support	13,168
United States Coast Guard – Baby Kits	147
United Way – Special Needs	<u>8,387</u>
	<u>\$ 36,984</u>

***Albemarle Smart Start Partnership, Inc.***  
***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
Albemarle Regional Health Services	* \$ 47,648	\$ 0	\$ 0	\$ 0
Chowan/Gates/Perquimans Partnership for Children	0	0	1,439	0
College of the Albemarle	* 3,450	0	0	0
County of Currituck	* 9,120	244	0	0
Currituck County Schools	* 54,334	39	0	0
Elizabeth City-Pasquotank County Public Schools	0	0	15,993	0
Food Bank of the Albemarle	0	0	3,252	0
Gates County Schools	0	0	5,000	0
Hertford County Partnership for Children	0	0	12,500	0
North Carolina Cooperative Extension - Pasquotank County	* 66,533	3,124	0	0
Northampton Partnership for Children	0	0	5,000	0
White Oak Elementary School	0	0	639	0
	<u>181,085</u>	<u>3,407</u>	<u>43,823</u>	<u>0</u>
<b><i>Individuals:</i></b>				
Professional Development Supplements	49,550	0	0	0
Professional Development Grants	968	0	0	0
Quality Enhancement Bonuses	7,250	0	0	0
Quality Enhancement Bonus	* 1,350	0	0	0
NAEYC Memberships for Child Care Management Certificate Participants	550	0	0	0
NAEYC Membership for Child Care Management Certificate	* 110	0	0	0
Licensing Assistance Grants	449	0	0	0
Licensure Incentive Bonuses	750	0	536	0
Magazine Subscriptions for USCG families	0	0	110	0
	<u>60,977</u>	<u>0</u>	<u>646</u>	<u>0</u>
	<u>\$ 242,062</u>	<u>\$ 3,407</u>	<u>\$ 44,469</u>	<u>\$ 0</u>

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

***Albemarle Smart Start Partnership for Children, Inc.  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2006***

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Camden County Department of Social Services	\$ 68,728
Currituck County Department of Social Services	171,714
Pasquotank County Department of Social Services	* 341,137
	<u>\$ 581,579</u>

\* These organizations are 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.

**Albemarle Smart Start Partnership, Inc.**  
**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
<b>Federal Awards:</b>				
US Department of Health & Human Services Pass-through from the North Carolina Department of Health & Human Services - Division of Child Development Child Care Resource & Referral (Prior Year)	93.575	#6237	\$ 14,221	\$ 0
US Department of Health & Human Services Pass-through from the North Carolina Department of Health & Human Services - Division of Child Development Pass-through from Child Care Services Association, Inc. Child Care Resource & Referral (Prior Year)	93.575 *	#001-05	\$ 43,776	\$ 20,993
Child Care Resource & Referral (Current Year)	93.575 *	#215-201	240,542	224,009
US Department of Health & Human Services Pass-through from the North Carolina Department of Health & Human Services - Division of Child Development Pass-through from Child Care Resources, Inc. Child Care Resource & Referral	93.575	#107-101	1,416	1,674
<b>Total Federal Awards</b>			<u>299,955</u>	<u>246,676</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services Division of Child Development Pass-through from the North Carolina Partnership for Children, Inc. Early Childhood Initiatives Program (Prior Year)		N/A	(22,696)	0
Early Childhood Initiatives Program (Current Year)		*	729,851	729,851
Multi-County Accounting and Contracting Grant		N/A	36,000	36,000
North Carolina Department of Health and Human Services Division of Public Health Pass-through from the University of North Carolina at Chapel Hill Early Intervention Program (Prior Year)		5-46500	2,510	0
Early Intervention Program (Current Year)		5-46761	10,700	10,700
Early Intervention Program (Regional)		2-42951-SUB-09	1,700	0
<b>Total State Awards</b>			<u>758,065</u>	<u>776,551</u>
<b>Total Federal and State Awards</b>			<u>\$ 1,058,020</u>	<u>\$ 1,023,227</u>

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

***Albemarle Smart Start Partnership, Inc.***  
***Schedule of Property and Equipment - Modified Cash Basis***  
***For the Year Ended June 30, 2006***

***Schedule 4***

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Furniture and Noncomputer Equipment	\$	37,366
Computer Equipment/Printers		50,129
Leasehold Improvements		112,401
Motor Vehicles		44,708
		<hr/>
Total Property and Equipment	\$	<u>244,604</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.

***Albemarle Smart Start Partnership, Inc.  
Schedule of Qualifying Match (Non-GAAP)  
For the Year Ended June 30, 2006***

***Schedule 5***

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

Cash	\$	17,645
In-Kind Goods and Services		<u>61,005</u>
	\$	<u><u>78,650</u></u>

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

Cash	\$	136,811
In-Kind Goods and Services		<u>16,755</u>
	\$	<u><u>153,566</u></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.

**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  
Albemarle Smart Start Partnership, Inc.  
Elizabeth City, North Carolina

We have audited the financial statements of the Albemarle Smart Start Partnership, Inc. (Albemarle Partnership) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 11, 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 Albemarle 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 Albemarle 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



**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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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 additional matters that we reported to management of the Albemarle Partnership in a separate letter dated October 11, 2006.

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

Garner, North Carolina

October 11, 2006



## ORDERING INFORMATION

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Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://www.ncauditor.net). Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of this report may be obtained by contacting the:

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