JONES COUNTY PARTNERSHIP
FOR CHILDREN
Trenton, North Carolina

FINANCIAL STATEMENTS
June 30, 2007

PERFORMED UNDER CONTRACT WITH THE
OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP
STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

JONES COUNTY PARTNERSHIP FOR CHILDREN

TRENTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS

LESLIE STRAYHORN, BOARD CHAIR

ADMINISTRATIVE OFFICER

DR. NORMA SERMON-BOYD, 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, Jones County Partnership for Children

This report presents the results of the financial statement audit of Jones County Partnership for Children for the year ended June 30, 2007. Clifton Gunderson LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Jones 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 Jones County Partnership for Children is one of these local partnerships. As such, the Jones County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14(b) to have a 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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Certified Public Accountants & Consultants

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Board of Directors
Jones County Partnership for Children
Trenton, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Jones County Partnership for Children (Jones Partnership) as of and for the year ended June 30, 2007, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Jones 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 Jones County Partnership for Children as of June 30, 2007, and its receipts and expenditures 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 January 31, 2008, on our consideration of the Jones 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)

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Jones County Partnership for Children's basic financial statements. The information in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements and 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.

Clifton Gunderson LLP

Raleigh, North Carolina
January 31, 2008

Jones County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis
For the Year Ended June 30, 2007 *Exhibit A*

	Unrestricted Funds		
	Smart Start Fund	Other Funds	Total Funds
Receipts:			
State Awards	$ 300,792	$ 303,133	$ 603,925
Federal Awards	-	82,520	82,520
Private Contributions	-	1,190	1,190
Sales Tax Refunds	-	2,460	2,460
Total Receipts	300,792	389,303	690,095
Expenditures:			
Programs:			
Child Care and Education Affordability	78,977	-	78,977
Child Care and Education Quality	82,440	17,101	99,541
Family Support	13,196	-	13,196
Health and Safety	27,375	64,460	91,835
More at Four	-	244,981	244,981
Support:			
Management and General	75,417	59,326	134,743
Program Evaluation	23,387	-	23,387
Other:			
Sales Tax Paid	-	1,554	1,554
Total Expenditures	300,792	387,422	688,214
Excess of Receipts Over Expenditures	-	1,881	1,881
Net Assets at Beginning of Year	-	22,419	22,419
Net Assets at End of Year	$ -	$ 24,300	$ 24,300
Net Assets Consisted of:			
Cash and Cash Equivalents	$ 969	$ 24,300	$ 25,269
Less: Due to the State	877	-	877
Funds Held for Others	92	-	92
	$ -	$ 24,300	$ 24,300

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

Jones County Partnership for Children
Statement of Functional Expenditures – Modified Cash Basis
For the Year Ended June 30, 2007 — *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	$ 78,977	$ -	$ -	$ -	$ -	$ -	$ -	$ 78,977
Child Care and Education Quality	82,440	41,457	-	6,638	3,607	13,997	1,215	15,526
Family Support	13,196	9,625	-	1,284	807	1,480	-	-
Health and Safety	27,375	19,898	-	1,311	1,500	-	4,666	-
	201,988	70,980	-	9,233	5,914	15,477	5,881	94,503
Support:								
Management and General	75,417	58,783	1,381	561	7,504	6,088	1,100	-
Program Evaluation	23,387	21,929	-	548	910	-	-	-
	98,804	80,712	1,381	1,109	8,414	6,088	1,100	-
Total Smart Start Fund Expenditures	$ 300,792	$ 151,692	$ 1,381	$ 10,342	$ 14,328	$ 21,565	$ 6,981	$ 94,503
Other Funds:								
Programs:								
Child Care and Education Quality	$ 17,101	$ 8,951	$ -	$ 39	$ 1,802	$ 5,446	$ 614	$ 249
Health and Safety	64,460	59,928	-	300	1,336	2,896	-	-
More at Four	244,981	-	-	-	-	-	-	244,981
	326,542	68,879	-	339	3,138	8,342	614	245,230
Support:								
Management and General	59,326	31,675	5,683	1,885	9,156	5,342	5,585	-
	59,326	31,675	5,683	1,885	9,156	5,342	5,585	-
Other:								
Sales Tax Paid	1,554	-	-	1,554	-	-	-	-
Total Other Funds Expenditures	$ 387,422	$ 100,554	$ 5,683	$ 3,778	$ 12,294	$ 13,684	$ 6,199	$ 245,230

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **Organization and Purpose** - The Jones County Partnership for Children (Jones Partnership) is a legally separate nonprofit organization incorporated on January 7, 1994. The Jones Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Jones 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 Jones 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.

   The Jones Partnership did not have any temporarily or permanently restricted net assets at June 30, 2007.

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 does not recognize the value of in-kind goods and services received; 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 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. **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.

F. **Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Jones Partnership acts in an agency capacity. For the year ended, the Jones Partnership was holding amounts withheld from employee paychecks for distribution to taxing authorities.

G. **Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Jones Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Jones 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, 2007. 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 8.

I. **Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Jones 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 - FUNDING FROM GRANT AWARDS

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

NOTE 2 - FUNDING FROM GRANT AWARDS (CONTINUED)

Associated with these contracts, the Jones Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area.

The Jones Partnership was awarded and has received $301,669 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Jones Partnership has returned $877 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

More at Four - The Jones Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Jones Partnership was awarded $309,666 and received $291,133 under a current year contract. The Jones Partnership expects to receive continued funding through new More at Four contracts with the State.

Regional Child Care Resource & Referral Program (CCR&R) -The Jones 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 Martin-Pitt Partnership for Children for the Regional CCR&R Program.

The Jones Partnership was rewarded and received $16,852 under the current year contract. The Jones Partnership expects to receive continued funding through new Regional CCR&R Program contracts with Martin-Pitt Partnership for Children.

Health Reach Outreach Project - The Jones Partnership also received revenue and support from the North Carolina Department of Health and Human Services based on a contract with the Division of Medical Assistance for the Health Check Outreach Program.

The Jones Partnership was awarded $67,746 and received $65,668 under the current year contract. The Jones Partnership does not expect to receive continued funding for the Health Check Outreach Project through new Division of Medical Assistance contracts.

NOTE 3 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The Board Members of the Jones Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Jones Partnership that Board Members not be involved with decisions regarding organizations they represent. During the year, the Jones Partnership entered into contracts with Board Member organizations for program activities as identified on Schedule 1 accompanying the financial statements.

NOTE 4 - FUNCTIONAL EXPENDITURES

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

A. Program Functions

Child Care and Education Affordability - Used to account for service activities including pre-K classes, More at Four classrooms or part day care programs.

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

Family Support - Used to account for service activities including family resource centers, mobile family resource center, or general family support.

Health and Safety - Used to account for service activities including child care health consultants, comprehensive health support or home visiting.

More at Four - Used to account for development and implementation of More at Four Pre-Kindergarten Program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality pre-kindergarten services in order to enhance kindergarten readiness.

B. Support Functions

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

Program Evaluation - Expenditures that are incurred to monitor the 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:

NOTE 4 - FUNCTIONAL EXPENDITURES (CONTINUED)

C. Allocation of Joint Costs (continued)

Salaries and Benefits - Direct allocation based on time spent by employees for each function.

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 estimates of utilization or utilization data.

NOTE 5 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2007:

Fiscal Year	Operating Leases
2008	$ 21,600
2009	10,800
Total Minimum Lease Payments	$ 32,400

Rental expense for all operating leases during the year was $25,955.

NOTE 6 - PENSION PLAN

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 Jones Partnership.

NOTE 7 - RISK MANAGEMENT

The Jones 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 Jones Partnership manages these various risks of loss as follows:

NOTE 7 - RISK MANAGEMENT (CONTINUED)

Type of Loss	Method Managed	Risk of Loss Retained
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 Jones Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Compensated Absences – As a result of the Jones 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, 2007, is $9,498. No funds or reservation of net assets has been made for this commitment.

Jones County Partnership for Children
Schedule of Contract and Grant Expenditures – Modified Cash Basis
For the Year Ended June 30, 2007 *Schedule 1*

Organization Name	Smart Start Fund Amount Advanced	Smart Start Fund Refund Due	Other Funds Amount Advanced	Other Funds Refund Due
Paid to Organizations:				
Jones County Board of Education*	$ 78,977	$ -	$ 244,981	$ -
Loving Arms	775	-	-	-
Pollocksville Presbyterian	4,750	-	-	-
Rainbow Child Care	1,853	-	-	-
Rosa's Child Care	1,188	-	-	-
	87,543	-	244,981	-
Paid to Individuals:				
Education Incentives	$ 6,960	$ -	$ -	$ -
Welcome Baby Buckets	-	-	249	-
	6,960	-	249	-
	$ 94,503	$ -	$ 245,230	$ -

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

This information is an integral part of the accompanying financial statements.

Jones County Partnership for Children
Schedule of Federal and State Awards – Modified Cash Basis
For the Year Ended June 30, 2007 *Schedule 2*

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
Department of Health and Human Services Pass-through from the North Carolina Department of Health & Human Services- Division of Child Development and Martin-Pitt Partnership for Children	93.575	CCSA-07	$ 16,852	$ 16,852
Department of Health & Human Services Pass-through from the North Carolina Department of Health & Human Services Division of Medical Assistance	93.797		65,668	64,460
Total Federal Awards			82,520	81,312
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 *			300,792	300,792
Multi-County Accounting and Contracting Grant			12,000	12,000
North Carolina Department of Public Instruction, Office of School Readiness				
More at Four Pre-Kindergarten Program			291,133	292,858
Total State Awards			603,925	605,650
Total Federal and State Awards			$ 686,445	$ 686,962

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

This information is an integral part of the accompanying financial statements.

Jones County Partnership for Children
Schedule of Property and Equipment – Modified Cash Basis
For the Year Ended June 30, 2007 *Schedule 3*

Furniture and Noncomputer Equipment	$	33,543
Computer Equipment/Printers		64,143
Leasehold Improvements		13,683
Total Property and Equipment	$	111,369

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.

Jones County Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2007 — *Schedule 4*

Match Provided at the Partnership Level:

Cash	$	182
In-Kind Goods and Services		6,043
	$	6,225

Match Provided at the Contractor Level:

Cash	$	79,000
In-Kind Goods and Services		-
	$	79,000

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.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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
Jones County Partnership for Children
Trenton, North Carolina

We have audited the financial statements of the Jones County Partnership for Children (Jones Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated January 31, 2008. 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 Jones Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jones Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jones Partnership's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Jones Partnership's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Jones Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Jones Partnership's internal control. We consider the deficiency described in the accompanying schedule of audit findings and responses as Finding 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Jones Partnership's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jones 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.*

Jones Partnership's responses to the findings identified in our audit are described in the accompanying schedule of audit findings and responses. We did not audit Jones Partnership's response and, accordingly, we express no opinion on it.

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

Clifton Gunderson LLP

Raleigh, North Carolina
January 31, 2008

Matters Related to Financial Reporting

The following findings and responses were identified during the current audit and describe conditions that represent significant deficiencies in internal control or noncompliance with laws, regulations, contracts, and grant agreements.

2007-1 CASH RECEIPT LOGS APPROVALS

Cash Receipts Logs are not approved by the Board Treasurer in a timely manner. When all cash receipt logs were reviewed for the year, a majority of them were approved in October 2007.

> *Response*: In the future, we will ensure that cash receipts logs are approved by the Board Treasurer in a timely manner. As has been communicated to us by the auditor, we understand that there is risk associated with "miscellaneous cash receipts." To this point, it should be noted that $604,000 (or 88%) of our cash receipts were transferred directly into our bank account with no "handling" by partnership staff. We received an additional $85,000 (12%) in checks for reimbursement under a federal grant and refunds of sales taxes. The timing of these receipts is known and even a slight delay in the receipt of one of these checks would result in immediate attention. Our cash receipts that would be categorized as "miscellaneous cash receipts" were made up of $1,200 in private contributions and represent less than two-tenths of one percent of our total cash receipts.
>
> Furthermore, there are numerous additional internal controls in place to minimize the risk of loss of cash receipts. These include, but are not limited to, the following: employees handling cash are bonded; receipt books are used for contributions; individual and corporate donors receive letters acknowledging receipt of their donations; deposit code sheets are reconciled to the monthly cash receipts log; the MAC Accountant – who is independent of the cash receipts process and is not an employee of the Partnership – reconciles the bank statements; the Executive Director reviews the monthly bank statements against the cash receipts and documents with a signature; and the Fiscal Director also performs a review of the monthly bank statements against the cash receipt logs and the deposit code sheets.

ORDERING INFORMATION

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20601 Mail Service Center
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