

**FINANCIAL STATEMENT AUDIT REPORT OF  
ASHE COUNTY PARTNERSHIP FOR CHILDREN**

**JEFFERSON, NORTH CAROLINA**

**FOR THE YEAR ENDED 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**

**ASHE COUNTY PARTNERSHIP FOR CHILDREN**

**JEFFERSON, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2007**

**BOARD OF DIRECTORS**

**JULIE B. LANDRY, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**LYNN M. 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, Ashe County Partnership for Children

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

The audit of the Ashe 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 Ashe County Partnership for Children is one of these local partnerships. As such, the Ashe 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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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Ashe County Partnership for Children  
Jefferson, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Ashe County Partnership for Children (Ashe Partnership) as of 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 Ashe 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 Ashe 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 October 26, 2007, on our consideration of the Ashe 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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ashe 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.

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

October 26, 2007

**Ashe 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		Temporarily Restricted Funds	Permanently Restricted Funds	Total Funds
	Smart Start Fund	Other Funds			
<b>Receipts:</b>					
State Awards	\$ 459,516	\$ 137,988	\$ 0	\$ 0	\$ 597,504
Federal Awards		275,977			275,977
Local Awards		29,975			29,975
Private Contributions		127,294	48,107	14,500	189,901
Special Fund Raising Events		126	1,011		1,137
Interest and Investment Earnings		5,165			5,165
Building Rent Revenue		128,240			128,240
Accounting Services Reimbursements		48,923			48,923
Sales Tax Refunds		5,202			5,202
Other Receipts		21,307	7,240		28,547
<b>Total Receipts</b>	<b>459,516</b>	<b>780,197</b>	<b>56,358</b>	<b>14,500</b>	<b>1,310,571</b>
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions		104,582	(104,582)		
	<b>459,516</b>	<b>884,779</b>	<b>(48,224)</b>	<b>14,500</b>	<b>1,310,571</b>
<b>Expenditures:</b>					
Programs:					
Child Care and Education Affordability	49,075				49,075
Child Care and Education Quality	200,550	40,039			240,589
Domestic Violence		263,768			263,768
Family Central Operations		334,452			334,452
Family Support	55,248	185,650			240,898
Health and Safety	34,807				34,807
Support:					
Management and General	115,213	75,066			190,279
Program Coordination	4,623				4,623
Other:					
Refund of Prior Year Grant		8,207			8,207
Sales Tax Paid		6,190			6,190
<b>Total Expenditures</b>	<b>459,516</b>	<b>913,372</b>			<b>1,372,888</b>
<b>Excess of Receipts Over Expenditures</b>		<b>(28,593)</b>	<b>(48,224)</b>	<b>14,500</b>	<b>(62,317)</b>
<b>Net Assets at Beginning of Year</b>		<b>21,604</b>	<b>149,505</b>	<b>19,636</b>	<b>190,745</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ (6,989)</b>	<b>\$ 101,281</b>	<b>\$ 34,136</b>	<b>\$ 128,428</b>
<b>Net Assets Consisted of:</b>					
Cash and Cash Equivalents	\$ 22	\$ (5,348)	\$ 101,451	\$ 34,136	\$ 96,125
Benefit Interest in Community Foundation					34,136
Refunds Due From Contractors	193	109			302
	<b>215</b>	<b>(5,239)</b>	<b>101,451</b>	<b>34,136</b>	<b>130,563</b>
Less: Due to the State	215				215
Funds Held for Others		1,750	170		1,920
	<b>\$ 0</b>	<b>\$ (6,989)</b>	<b>\$ 101,281</b>	<b>\$ 34,136</b>	<b>\$ 128,428</b>

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

**Ashe 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	Occupancy Expenditures	Services/Contracts/Grants	Participant Training Expenditures
<b>Smart Start Fund:</b>										
<b>Programs:</b>										
Child Care & Education Affordability	\$ 49,075	\$ 38,714	\$ 0	\$ 814	\$ 0	\$ 0	\$ 360	\$ 9,187	\$ 0	\$ 0
Child Care & Education Quality	200,550	66,452	300	7,615	12,475	1,438	6,173	8,644	96,623	830
Family Support	55,248	32,023	683	3,496	6,225	167	2,478	10,176		
Health and Safety	34,807								34,807	
	<u>339,680</u>	<u>137,189</u>	<u>983</u>	<u>11,925</u>	<u>18,700</u>	<u>1,605</u>	<u>9,011</u>	<u>28,007</u>	<u>131,430</u>	<u>830</u>
<b>Support:</b>										
Management and General	115,213	76,773	3,198	3,531	12,448	7,030	6,135	6,098		
Program Coordination	4,623	4,389			234					
	<u>119,836</u>	<u>81,162</u>	<u>3,198</u>	<u>3,531</u>	<u>12,682</u>	<u>7,030</u>	<u>6,135</u>	<u>6,098</u>		
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 459,516</u>	<u>\$ 218,351</u>	<u>\$ 4,181</u>	<u>\$ 15,456</u>	<u>\$ 31,382</u>	<u>\$ 8,635</u>	<u>\$ 15,146</u>	<u>\$ 34,105</u>	<u>\$ 131,430</u>	<u>\$ 830</u>
<b>Other Funds:</b>										
<b>Programs:</b>										
Child Care and Education Quality	\$ 40,039	\$ 29,734	\$ 1,680	\$ 1,182	\$ 6,048	\$ 798	\$ 372	\$ 0	\$ 225	\$ 0
Domestic Violence	263,768	185,968	3,454	6,767	20,690	21,713	15,245	9,866	65	
Family Central Operations	334,452	118,606	2,661	11,423	85,791	51,012	120,537	(55,578)		
Family Support	185,650	114,474	6,886	4,560	8,086	10,755	19,038	16,425	5,426	
	<u>823,909</u>	<u>448,782</u>	<u>14,681</u>	<u>23,932</u>	<u>120,615</u>	<u>84,278</u>	<u>155,192</u>	<u>(29,287)</u>	<u>5,716</u>	
<b>Support:</b>										
Management and General	75,066	63,207	831	702	5,070	1,013	2,475	827	941	
<b>Other:</b>										
Refund of Prior Year Grant	8,207				8,207					
Sales Tax Paid	6,190			6,190						
	<u>14,397</u>			<u>6,190</u>	<u>8,207</u>					
<b>Total Other Funds Expenditures</b>	<u>\$ 913,372</u>	<u>\$ 511,989</u>	<u>\$ 15,512</u>	<u>\$ 30,824</u>	<u>\$ 133,892</u>	<u>\$ 85,291</u>	<u>\$ 157,667</u>	<u>\$ (28,460)</u>	<u>\$ 6,657</u>	<u>\$ 0</u>

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



**ASHE COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Ashe County Partnership for Children (Ashe Partnership) is a legally separate nonprofit organization incorporated on January 17, 1995. The Ashe Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Ashe 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 Ashe 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.

Permanently restricted net assets include gifts and contributions that are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Ashe Partnership. The net assets are invested in perpetuity with only the income from such investments available for program operations.

**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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.
- E. Investments** - This classification consists of funds invested in an endowment fund with the North Carolina Community Foundation, Inc. as reported in Note 11.
- 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. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Ashe Partnership acts in an agency capacity.
- I. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Ashe Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Ashe 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**J. 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.

**K. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Ashe 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 Ashe 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 Ashe Partnership to a concentration of credit risk. At June 30, 2007, the Ashe Partnership's bank deposits in excess of the FDIC insured limit was \$32,244.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Ashe 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 Ashe 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 Ashe Partnership was awarded and has received \$459,731 under a current year Smart Start contract with NCPC. The unexpended balance of this contract

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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is subject to reversion to the State. The Ashe Partnership has returned \$193 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

**Even Start Program** - The Ashe Partnership received additional revenue and support from the United States Department of Education, which passed through the State of North Carolina based on a cost-reimbursement contract with the Department of Public Instruction (DPI) for the Even Start Program.

The Ashe Partnership was awarded \$87,396 under a current year contract with DPI and has received \$69,101 of this amount. The unexpended balance of this contract is subject to reversion to the State. The Ashe Partnership expects to receive continued funding through new Even Start Program contracts with the State.

### NOTE 4 - RELATED PARTY TRANSACTIONS

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

**B. Other Related Parties** - The Ashe County Children's Trust Endowment Committee Consists of seven voting members, two of which are Ashe Partnership board members. The purpose of the Committee is to provide financial resources for programs conducted by the Ashe County 4-H and the Ashe Partnership to enrich the quality of life for all children in Ashe County. This bank account is maintained by the Ashe County Cooperative Extension office (4-H).

### 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Expenditures - Modified Cash Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

### A. Program Functions

**Child Care and Education Affordability** - Used to account for service activities associated with child care cost supports and part-day programs.

**Child Care and Education Quality** - Used to account for service activities including child care resource and referral services and professional development.

**Domestic Violence** - Used to account for activities associated with providing assistance services for victims and survivors of domestic violence.

**Family Central Operations** - Used to account for activities to provide adequate and affordable space for non-profit organizations and to promote the coordinated delivery of family services.

**Family Support** - Used to account for service activities including general family support, literacy projects, community outreach, and information and resources.

**Health and Safety** - Used to account for service activities including oral health services and comprehensive screenings.

### B. Support Functions

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

**Program Coordination** - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Allocated based on employee time reports.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

### D. Occupancy Costs

The Ashe Partnership leases and operates Family Central as a facility to provide affordable and adequate space for various non-profit organizations and functions within the Partnership. The costs of operating Family Central (salaries, contracted services, supplies and materials, other operating expenses, fixed charges and other expenses, and property and equipment) are allocated to the various programs based on the square footage used by each program. The cost allocated per square footage for the 2007 year was \$5.30.

Family Central operations costs totaling \$55,578 were distributed across program activities, including \$34,105 specifically allocated to the Smart Start services and administrative contract. An Occupancy Expenditures column has been added to the Statement of Functional Expenditures – Modified Cash Basis to indicate how these costs were distributed across programs. This column allows for a more accurate presentation of costs by program and functional category.

### NOTE 6 - OPERATING LEASE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Operating Leases</u>
2008	\$ 5,897
2009	5,897
2010	5,897
2011	1,474
Total Minimum Lease Payments	<u>\$ 19,165</u>

Rental expense for all operating leases during the year was \$5,376.

### NOTE 7 - 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 Plan is a defined contribution plan in which each employee of the Ashe Partnership, as a condition of employment,

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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is provided an individual annuity through an outside insurance company. The Ashe Partnership contributed 5% of gross wages for the year ended June 30, 2007. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Ashe Partnership contributed \$16,606 for retirement benefits during the year.

### NOTE 8 - RISK MANAGEMENT

The Ashe 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 Ashe 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 Ashe Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

**A. Compensated Absences** - As a result of the Ashe 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 \$21,479. No funds or reservation of net assets has been made for this commitment.

**B. Loan Commitment** - The Ashe Partnership has a note with a balance of \$423,161 at June 30, 2007, that is secured by the Family Central building complex which the Ashe Partnership leases from Ashe County and by the income of the organization. The note is payable to the United States Department of Agriculture, Rural Housing Service in annual installments

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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of \$38,440. This amount includes principal and interest computed at an annual rate of 4.5%.

The future scheduled maturities of long-term debt are as follows:

	Principal Amount	Interest Amount	
2008	\$ 19,398	\$ 19,042	
2009	20,271	18,169	
2010	21,183	17,257	
2011	22,136	16,304	
2012	23,132	15,308	
2013-2017	132,245	59,955	
2018 and Beyond	184,796	28,299	
Total Loan Payments	\$ 423,161	\$ 174,334	

**C. Mortgage Commitments** - The Ashe Partnership has a note balance of \$83,877 at June 30, 2007, that is secured by the Domestic Violence Shelter building and payable to the High Country Bank in 50 monthly installments of \$765 and one last balloon payment estimated at \$78,854. This amount includes principal and interest computed at an annual rate of 8.25% at June 30, 2007. The Ashe Partnership has the option to refinance the balance at the time of the balloon payment.

The future scheduled maturities of long-term debt are as follows:

Fiscal Year	Principal Amount	Interest Amount	
2008	\$ 83,877	\$ 4,576	



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 10 - RESTRICTIONS ON NET ASSETS

- A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2007, are available for the following purposes:

Purpose	Amount
Children's Trust Endowment	\$ 4,481
Capital Campaign	1,274
Domestic Violence - Private Donations	62,475
Domestic Violence - Client Services Donations	7,408
Thrift Shop Operations	7,240
Individual Development Account	19
Smith Reynolds - Kitchen	5,609
Community Kitchen - Private	6,080
Imagination Library	6,695
	\$ 101,281

- B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2007, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Children's Trust Endowment	\$ 1,161
Capital Campaign	1,617
County Domestic Violence Grant	681
Domestic Violence - Client Services Donations	2,660
Domestic Violence - Private Donations	21,784
Sunshine Lady	1,682
Wal-Mart Grant	600
Individual Development Account - Credit Counseling	4,650
Kate B. Reynolds Grant	20,415
Imagination Library	1,042
Asthma Incentives	225
Smith Reynolds - Kitchen	24,391
Smith Reynolds Grant - Domestic Violence	490
Individual Development Account	1,000
Rural Advancement Institute	22,184
	\$ 104,582

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purpose at June 30, 2007:

Purpose	Amount
Ashe County Children's Trust Endowment	\$ 34,136

The Ashe County Children's Trust Endowment (Endowment) was established through the North Carolina Community Foundation, Inc. (Foundation) on March 22, 1999. The Ashe Partnership established the Endowment in conjunction with the Ashe County 4-H and its purpose is devoted to the support of the Ashe Partnership and the Ashe County 4-H programs. The Ashe Partnership presents the above amount as a beneficial interest in the foundation.

The agreement between the Ashe Partnership, the Ashe County 4-H, and the Foundation provides that all the contributions to the Endowment are irrevocable. The Endowment, including all investment income, capital gains, and subsequent contributions, are the Foundation's property. The Foundation will make annual distributions of the income earned on the Endowment, subject to Foundation's spending policy. The Foundation may distribute all or any part of the Endowment at the Foundation's discretion; however, it is the Foundation's general policy that a substantial part of the Endowment remains as a permanent endowment of the Foundation. The agreement also permits the Community Foundation to substitute another beneficiary in the place of the Ashe Partnership and the Ashe County 4-H if both organizations cease to exist. Therefore, the Ashe Partnership and Ashe County 4-H have explicitly granted variance power to the Community Foundation. The Ashe Partnership's endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as a Benefit Interest in the Community Foundation. The entire amount invested with the Community Foundation has been identified on the Ashe Partnership's financial statement due to the Ashe Partnership and the Ashe County 4-H not having an agreement in place that identifies the percentage in which each organization is invested.

### NOTE 12 - DEFICIT NET ASSETS

The deficit net assets at June 30, 2007, in Unrestricted Other Funds column in the amount of \$6,989 is due to the Ashe Partnership incurring expenditures in excess of receipts for one of its grants. The Ashe Partnership was reimbursed by the grantor for these expenditures after June 30, 2007.

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

***Schedule 1***

<b>Organization Name</b>	<b>Smart Start Fund</b>		<b>Other Funds</b>	
	<b>Amount Advanced</b>	<b>Refund Due</b>	<b>Amount Advanced</b>	<b>Refund Due</b>
<b><i>Paid to Organizations:</i></b>				
Appalachian District Health Department	* \$ 35,000	\$ 193	\$ 0	\$ 0
Wilkes Community College	* 96,623			
Dollywood Foundation			4,426	
Ashe Developmental Day School	*		75	
Betty's Half-Pint Day Care	*		75	
Pamela Shatley			75	
Parent To Parent			1,000	
Ashe Chamber of Commerce			25	
Ashe Memorial Hospital			25	
Sheriff Hartley			25	
Ron Yancey			40	
BROC Headstart			500	
Mt. Jefferson Child Development Center			500	
4-H Afterschool (Reversion of Prior Year Grant)				109
	<u>\$ 131,623</u>	<u>\$ 193</u>	<u>\$ 6,766</u>	<u>\$ 109</u>

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

***Ashe County Partnership for Children  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2007***

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Ashe County Department of Social Services	* \$ <u>157,376</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.

**Ashe County Partnership for Children  
Schedule of Federal and State Awards  
For the Year Ended June 30, 2007**

**Schedule 3**

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
US Department of Agriculture, Rural Development Community Facility Loan and Grant	10.766 **	N/A	\$ 0	\$ 423,161
US Department of Education Pass-through from the North Carolina Department of Public Instruction Pass-through from the Ashe County Board of Education Even Start Family Literacy (Prior Year)	84.213	N/A	23,119	13,397
Even Start Family Literacy (Current Year)	84.213	N/A	69,101	78,120
US Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services Family Violence Prevention (Prior Year)	93.671	450-06	9,423	6,763
Family Violence Prevention (Current Year)	93.671	450.07	22,952	29,923
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 Childcare Resources, Inc. Pass-through from the Iredell County Partnership for Young Children Child Care Resource and Referral (Prior Year)	93.575	DCD-0506-2	3,374	
Child Care Resource and Referral (Current Year)	93.575	312-ASH	27,150	36,666
US Department of Housing and Urban Development Pass-through from the North Carolina Department of Commerce Pass-through from Ashe County Community Development Block Grant - IDA Program	14.228	N/A	11,500	9,259
US Department of Justice Office of Juvenile Justice and Delinquency Prevention Pas-through from the North Carolina Department of Crime Control and Public Safety Division of Governor's Crime Commission ASHE - A Safe Home for Everyone (Prior Year)	16.575	005-1-05-A13-AV-137	4,656	179
ASHE - A Safe Home for Everyone (Current Year)	16.575	005-1-06-A14-AV-092	71,457	93,622
United States Department of Agriculture Agriculture Marketing Service	10.168	12-25-G-0507	33,245	45,235
<b>Total Federal Awards</b>			<u>275,977</u>	<u>736,325</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	*	N/A	459,516	459,516
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
North Carolina Department of Administration Council for Women and Domestic Violence Commission Domestic Violence Grant (Prior Year)		N/A	(61)	
Domestic Violence Grant (Current Year)		N/A	49,338	49,337
Marriage License Grant (Current Year)		N/A	13,351	13,349
North Carolina Rural Economic Development Center Economic Innovation Grant		N/A	57,386	47,426
Rural Advancement Foundation International - USA ACPC -Community Kitchen Project		N/A	5,974	28,158
<b>Total State Awards</b>			<u>597,504</u>	<u>609,786</u>
<b>Total Federal and State Awards</b>			<u>\$ 873,481</u>	<u>\$ 1,346,111</u>

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

\*\* Major Program 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 include the federal and state grant activity of the Ashe 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.

2. Loan Outstanding

Ashe County Partnership for Children had the following loan balance outstanding at June 30, 2007. This loan balance outstanding is also included in the federal expenditures presented in the schedule. This loan has been included on the schedule due to the continuing federal compliance requirements.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Amount Outstanding</u>
Building Renovations	10.766	N/A	\$ 423,161

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

***Schedule 4***

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Furniture and Noncomputer Equipment	\$ 140,809
Computer Equipment/Printers	64,822
Buildings and Land	210,915
Leasehold Improvements	1,260,345
Motor Vehicles	<u>30,431</u>
Total Property and Equipment	<u>\$ 1,707,322</u>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year end. The valuations represent historical cost. On the modified basis of accounting, these items are expensed in the year of purchase.

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

***Schedule 5***

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

Cash	\$	56,699
In-Kind Goods and Services		<u>12,715</u>
	\$	<u><u>69,414</u></u>

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

In-kind Goods and Services	\$	<u><u>20,418</u></u>
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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.

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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Board of Directors  
Ashe County Partnership for Children  
Jefferson, North Carolina

We have audited the financial statements of the Ashe County Partnership for Children (Ashe Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 26, 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 Ashe 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 Ashe Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ashe Partnership's internal control over financial reporting.

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 Ashe 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 Ashe Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Ashe Partnership's internal control.

**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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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 Ashe Partnership's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ashe 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 Ashe Partnership's Board of Directors, management of the Ashe 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.

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

October 26, 2007

# TICHENOR & ASSOCIATES, LLP

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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Board of Directors  
Ashe County Partnership for Children  
Jefferson, North Carolina

### **Compliance**

We have audited the compliance of the Ashe County Partnership for Children (Ashe Partnership) with the types of compliance requirements described in the United State Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. Ashe Partnership's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Ashe Partnership's management. Our responsibility is to express an opinion on Ashe Partnership's compliance based on our audit. Accordingly, we do not express an opinion on the effectiveness of the Ashe Partnership's internal control over compliance.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ashe Partnership's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ashe Partnership's compliance with those requirements.

In our opinion, the Ashe Partnership complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONCLUDED)**

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**Internal Control Over Compliance**

The management of Ashe Partnership is responsible for establishing and maintaining internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ashe Partnership's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that it is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of management of Ashe Partnership, The North Carolina Partnership for Children, Inc., the Governor and the General Assembly, and federal awarding agencies, and is not intended to be and should not be used by anyone other than the specified parties.

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

October 26, 2007

**ASHE COUNTY PARTNERSHIP FOR CHILDREN  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**FINDING 06-1** Contract Monitoring Weaknesses

**STATUS:** Corrected

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**ASHE COUNTY PARTNERSHIP FOR CHILDREN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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**I. Summary of Audit Results:**

- A. The auditor's report expresses an unqualified opinion on the financial statements of the Ashe County Partnership for Children for the fiscal year ended June 30, 2007.
- B. No instances of noncompliance were disclosed during the audit.
- C. No material weaknesses or significant deficiencies over internal control were disclosed during the audit.
- D. The auditor's report on compliance for the major federal award program for the Ashe County Partnership for Children expresses an unqualified opinion on its major federal program.
- E. There were no material weaknesses or significant deficiencies relative to the major federal award programs for the Ashe County Partnership for Children.
- F. The programs tested as major programs included:

<u>Name</u>	<u>CFDA No.</u>
United States Department of Agriculture, Rural Development – Community Facility Loan and Grant	10.766

- G. The threshold for distinguishing Types A and B programs was \$300,000.
- H. Ashe County Partnership for Children was determined to be a high-risk auditee.

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

No instances of noncompliance were disclosed during the audit.

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS**

None

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## 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 audit reports may be obtained by contacting the:

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