

**DURHAM'S PARTNERSHIP  
FOR CHILDREN  
DURHAM, 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**

**DURHAM'S PARTNERSHIP FOR CHILDREN**

**DURHAM, NORTH CAROLINA**

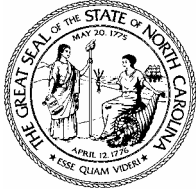
**FOR THE YEAR ENDED JUNE 30, 2007**

**BOARD OF DIRECTORS**

**MICHAEL PALMER, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**MARSHA BASLOE, EXECUTIVE DIRECTOR**



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

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**AUDITOR'S TRANSMITTAL**

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The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Directors, Durham's Partnership for Children

This report presents the results of the financial statement audit of Durham's 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 Durham's 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 Durham's Partnership for Children is one of these local partnerships. As such, the Durham's 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  
Durham's Partnership for Children  
Durham, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Durham's Partnership for Children (Durham 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 Durham 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 Durham's 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 November 30, 2007 on our consideration of the Durham 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 the Durham's 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.

*Clifton Gunderson LLP*

Raleigh, North Carolina  
November 30, 2007

*Durham's 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	Total
	Smart Start Fund	Other Funds	Restricted Funds	
<b>Receipts:</b>				
State Awards	\$ 3,208,389	\$ 1,271,000	\$ -	\$ 4,479,389
Local Awards	-	4,950	-	4,950
Private Contributions	-	22,980	21,583	44,563
Interest and Investment Earnings	-	6,593	-	6,593
Sales Tax Refunds	-	5,181	-	5,181
<b>Total Receipts</b>	<b>3,208,389</b>	<b>1,310,704</b>	<b>21,583</b>	<b>4,540,676</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	13,300	(13,300)	-
	<u>3,208,389</u>	<u>1,324,004</u>	<u>8,283</u>	<u>4,540,676</u>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Accessibility and Availability	1,066,142	18,273	-	1,084,415
Family Support	727,766	611	-	728,377
Health and Safety	727,930	-	-	727,930
More at Four	76,470	1,247,112	-	1,323,582
Support:				
Fund Raising	24,500	-	-	24,500
Management and General	435,688	20,775	-	456,463
Program Evaluation	149,893	4,375	-	154,268
Other:				
Sales Tax Paid	-	6,951	-	6,951
<b>Total Expenditures</b>	<b>3,208,389</b>	<b>1,298,097</b>	<b>-</b>	<b>4,506,486</b>
<b>Excess of Receipts Over Expenditures</b>	<b>-</b>	<b>25,907</b>	<b>8,283</b>	<b>34,190</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>113,198</b>	<b>13,300</b>	<b>126,498</b>
<b>Net Assets at End of Year</b>	<b>\$ -</b>	<b>\$ 139,105</b>	<b>\$ 21,583</b>	<b>\$ 160,688</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 11,843	\$ 139,105	\$ 21,583	\$ 172,531
Refunds Due From Contractors	75	-	-	75
	11,918	139,105	21,583	172,606
Less: Due to the State	11,918	-	-	11,918
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ 139,105</b>	<b>\$ 21,583</b>	<b>\$ 160,688</b>

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

*Durham's 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
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Accessibility and Availability	\$ 1,066,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,066,142
Family Support	727,766	40,101	7,827	1,886	26,957	3,049	3,776	644,170
Health and Safety	727,930	-	-	-	-	-	-	727,930
More at Four	76,470	71,575	2,223	-	-	2,672	-	-
	<u>2,598,308</u>	<u>111,676</u>	<u>10,050</u>	<u>1,886</u>	<u>26,957</u>	<u>5,721</u>	<u>3,776</u>	<u>2,438,242</u>
<b>Support:</b>								
Fund Raising	24,500	-	24,375	-	-	125	-	-
Management and General	435,688	284,814	36,308	8,003	50,900	35,987	19,676	-
Program Evaluation	149,893	50,368	79,008	2,896	9,710	5,898	2,013	-
	<u>610,081</u>	<u>335,182</u>	<u>139,691</u>	<u>10,899</u>	<u>60,610</u>	<u>42,010</u>	<u>21,689</u>	<u>-</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 3,208,389</u>	<u>\$ 446,858</u>	<u>\$ 149,741</u>	<u>\$ 12,785</u>	<u>\$ 87,567</u>	<u>\$ 47,731</u>	<u>\$ 25,465</u>	<u>\$ 2,438,242</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Accessibility and Availability	\$ 18,273	\$ -	\$ 16,360	\$ 1,140	\$ 773	\$ -	\$ -	\$ -
Family Support	611	160	-	-	451	-	-	-
More at Four	1,247,112	68,260	40,376	7,692	19,901	7,584	17,729	1,085,570
	<u>1,265,996</u>	<u>68,420</u>	<u>56,736</u>	<u>8,832</u>	<u>21,125</u>	<u>7,584</u>	<u>17,729</u>	<u>1,085,570</u>
<b>Support:</b>								
Management and General	20,775	208	9,588	1,875	5,479	432	3,193	-
Program Evaluation	4,375	-	1,787	-	2,588	-	-	-
	<u>25,150</u>	<u>208</u>	<u>11,375</u>	<u>1,875</u>	<u>8,067</u>	<u>432</u>	<u>3,193</u>	<u>-</u>
<b>Other:</b>								
Sales Tax Paid	6,951	-	-	6,951	-	-	-	-
<b>Total Other Funds Expenditures</b>	<u>\$ 1,298,097</u>	<u>\$ 68,628</u>	<u>\$ 68,111</u>	<u>\$ 17,658</u>	<u>\$ 29,192</u>	<u>\$ 8,016</u>	<u>\$ 20,922</u>	<u>\$ 1,085,570</u>

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



*Durham's Partnership for Children*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Durham's Partnership for Children (Durham Partnership) is a legally separate nonprofit organization incorporated on October 31, 1994. The Durham Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Durham 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 Durham 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 Durham Partnership did not have any 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.

*Durham's Partnership for Children*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- 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. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Durham Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Durham 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 9.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Durham 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.

*Durham's Partnership for Children*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 2 - DEPOSITS**

All funds of the Durham Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. Deposits over this amount subject the Durham Partnership to a concentration of credit risk. At June 30, 2007, the Durham Partnership's bank deposits in excess of the FDIC insured limit was \$61,110.

**NOTE 3 - FUNDING FROM GRANT AWARDS**

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

Associated with these contracts, the Durham 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 Durham Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by NCPC and DHHS is presented on Schedule 2 accompanying the financial statements.

The Durham Partnership was awarded and has received \$3,220,307 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Durham Partnership has returned \$11,918 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

**More at Four** - The Durham Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Durham Partnership was awarded \$1,247,112 and received \$1,259,000 under a current year contract.

The Durham Partnership expects to receive continued funding through new More at Four contracts with the State.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

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

**NOTE 5 - FUNCTIONAL EXPENDITURES**

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

**A. Program Functions**

**Child Care and Education Accessibility and Affordability** - Used to account for service activities including child care subsidy administration (Division of Child Development), child care cost supports (DCD), and More at Four cost supports (DCD).

**Family Support** - Used to account for service activities including family resource centers, and community outreach information and resources.

**Health and Safety** - Used to account for service activities special needs – early intervention services/special education and 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**

**Fund Raising** - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

*Durham's Partnership for Children*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)**

**B. Support Functions** (continued)

**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 allocated based on utilization data.

**NOTE 6 - OPERATING LEASE OBLIGATIONS**

**Operating Lease Obligations** - Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2007:

<u>Fiscal Years</u>	<u>Operating Leases</u>
2008	\$ 33,560
2009	34,567
2010	35,604
2011	36,672
2012	37,772
2013 through 2017	<u>195,360</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 373,535</u></b>

Rental expense for all operating leases during the year was \$44,150.

**NOTE 7 - PENSION PLAN**

**A. Retirement Plans** - The Durham Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of the Durham Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance

*Durham's Partnership for Children*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 7 - PENSION PLAN (CONTINUED)**

company. The Durham Partnership contributed 8% of gross wages for the year ended June 30, 2007. The Durham Partnership does not own the accounts, nor is it liable for any other cost other than the required contribution. The Durham Partnership contributed \$31,394 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 Durham Partnership.

**NOTE 8 - RISK MANAGEMENT**

The Durham 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 Durham 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 Durham 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 Durham 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 \$14,635. No funds or reservation of net assets has been made for this commitment.

**Durham's Partnership for Children**  
**Notes to Financial Statements**  
**June 30, 2007**

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**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:

<u>Purpose</u>	<u>Amount</u>
To benefit the children residing in Durham County More at Four Pre-Service Training	\$ 20,733 850
	<u>\$ 21,583</u>

**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:

<u>Purpose</u>	<u>Amount</u>
Nutrition and Dental Needs Needs Assessment	\$ 10,000 3,300
	<u>\$ 13,300</u>

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

***Durham's 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		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<b><i>Paid to Organizations:</i></b>				
Bright Horizons	\$ -	\$ -	\$ 56,400	\$ -
Brown's Day Care Center	-	-	55,040	-
Bryson Christian Montessori School, Inc.	-	-	77,040	-
Child and Parent Support Services - Healthy Families Durham	372,343	-	-	-
Child Care Services Association - Child CareQuality Improvement (QUIP)	* 749,654	-	-	-
Child Care Services Association - Choosing/Using Quality Child Care	* 246,322	-	-	-
Childcare Network	-	-	175,140	-
Children's Campus at Southpoint, LLC	-	-	58,240	-
Christian Prep Academy	-	-	84,500	-
Durham Council for Infants & Children with Special Needs - Hispanic/Latino Family	* 119,583	-	-	-
Durham County Health Department - Nutrition Consultation	* 70,166	-	-	-
Durham Public Schools	* -	-	172,220	-
EI Centro Hispano, Inc - FAMOSA	255,728	-	-	-
Exchange Clubs Child Abuse Prevention Ctr - Early Childhood Outreach Program (ECHO)	139,879	-	-	-
Exchange Clubs Child Abuse Prevention Ctr - Child Care Based Mental Health Intervention	21,125	-	-	-
First Presbyterian Day School	-	-	30,610	-
Journey Institute - Little River Family Resource Center	61,321	75	-	-
Little People 2 Day Care	-	-	20,640	-
Little River Community Complex, Inc. - Little River Family Resource Center	29,324	-	-	-
Operation Breakthrough, Inc. - Headstart	* -	-	29,270	-
Primary Colors Day Care	-	-	92,880	-
Scarborough Nursery School	-	-	74,150	-
The ARC of Durham County - Family Support Subsidy Project	75,000	-	-	-
Triangle Day Care Center	* -	-	51,200	-
Tutor Time Child Care	-	-	59,040	-
Welcome Baby - Comprehensive Services for Newborns	297,797	-	-	-
White Rock Child Development Center	-	-	49,200	-
	<u>\$ 2,438,242</u>	<u>\$ 75</u>	<u>\$ 1,085,570</u>	<u>\$ -</u>

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



***Durham's 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>
Child Care Services Association - WAGE\$ Program	* \$ 783,488
Durham County Department of Social Services - Subsidized Care Program	* <u>4,282,599</u>
	<u>\$ 5,066,087</u>

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

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards.

***Durham's Partnership for Children  
Schedule of State Awards - Modified Cash Basis  
For the Year Ended June 30, 2007***

***Schedule 3***

<u>State Grantor/Pass-through Grantor/Program</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</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 *	N/A	\$ 3,208,389	\$ 3,208,389
Multi-County Accounting and Contracting Grant	N/A	12,000	12,000
North Carolina Department of Public Instruction, Office of School Readiness			
More at Four Pre-Kindergarten Program	0030-06	-	3,000
More at Four Pre-Kindergarten Program *	0030-07	<u>1,259,000</u>	<u>1,244,112</u>
<b>Total State Awards</b>		<u><u>\$ 4,479,389</u></u>	<u><u>\$ 4,467,501</u></u>

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

***Durham's 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	\$ 94,004
Computer Equipment/Printers	48,587
Leasehold Improvements	<u>1,000</u>
<b>Total Property and Equipment</b>	<b><u><u>\$ 143,591</u></u></b>

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.

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

***Schedule 5***

**Match Provided at the Partnership Level:**

Cash	\$	54,312
In-Kind Goods and Services		<u>36,824</u>
	\$	<u><u>91,136</u></u>

**Match Provided at the Contractor Level:**

Cash	\$	971,459
In-Kind Goods and Services		<u>367,063</u>
	\$	<u><u>1,338,522</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  
Durham's Partnership for Children  
Durham, North Carolina

We have audited the financial statements of the Durham's Partnership for Children (Durham Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 30, 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 Durham 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 Durham Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Durham 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 Durham 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 Durham Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Durham 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 Durham 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 Durham 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 Durham Partnership's Board of Directors, management of the Durham 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  
November 30, 2007

## ORDERING INFORMATION

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

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

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