FINANCIAL STATEMENT AUDIT REPORT OF

LENOIR/GREENE PARTNERSHIP FOR CHILDREN, INC.

KINSTON, 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

LENOIR/GREENE PARTNERSHIP FOR CHILDREN, INC.

KINSTON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS

OSCAR HERRING, BOARD CHAIR

ADMINISTRATIVE OFFICER

KEITH SYLVESTER, EXECUTIVE DIRECTOR

STATE OF NORTH CAROLINA
Office of the State Auditor

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

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
http://www.ncauditor.net

AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Directors, Lenoir/Greene Partnership for Children, Inc.

This report presents the results of the financial statement audit of Lenoir/Greene Partnership for Children, Inc. 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 Lenoir/Greene Partnership for Children, Inc. was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-16. This statute created The North Carolina Partnership for Children, Inc. and required the implementation of local partnerships. The Lenoir/Greene Partnership for Children, Inc. is one of these local partnerships. As such, the Lenoir/Greene Partnership for Children, Inc. 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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TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KY 40243

BUSINESS: (502) 245-0775
FAX: (502) 245-0725
E-MAIL: WTICHENOR@TICHENORASSOCIATES.COM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lenoir/Greene Partnership for Children, Inc.
Kinston, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Lenoir/Greene Partnership for Children, Inc. (Lenoir/Greene 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 Lenoir/Greene 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 Lenoir/Greene Partnership for Children, Inc. 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 15, 2007, on our consideration of the Lenoir/Greene 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lenoir/Greene Partnership for Children, Inc.'s basic financial statements. The information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1, 3, 4 and 5 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

November 15, 2007

Lenoir/Greene Partnership for Children, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2007 ***Exhibit A***

	Unrestricted Funds Smart Start Fund	Unrestricted Funds Other Funds	Temporarily Restricted Funds	Total Funds
Receipts:				
State Awards	$ 1,723,161	$ 985,886	$ 0	$ 2,709,047
Federal Awards		41,638		41,638
Private Contributions		1,778		1,778
Interest and Investment Earnings		12,393		12,393
Sales Tax Refunds		4,018		4,018
Other Receipts		9,218		9,218
Total Receipts	1,723,161	1,054,931		2,778,092
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		9,000	(9,000)	
	1,723,161	1,063,931	(9,000)	2,778,092
Expenditures:				
Programs:				
Child Care and Education Quality	419,383	58,644		478,027
Family Support	548,081	10,363		558,444
Health and Safety	38,223	1,086		39,309
More at Four	436,195	956,332		1,392,527
Support:				
Management and General	210,607	33,958		244,565
Program Evaluation	70,672			70,672
Other:				
Sales Tax Paid		5,809		5,809
Total Expenditures	1,723,161	1,066,192		2,789,353
Excess of Receipts Over Expenditures		(2,261)	(9,000)	(11,261)
Net Assets at Beginning of Year		63,888	9,000	72,888
Net Assets at End of Year	$ 0	$ 61,627	$ 0	$ 61,627
Net Assets Consisted of:				
Cash and Cash Equivalents	$ 16,885	$ 44,850	$ 0	$ 61,735
Investments		17,462		17,462
	16,885	62,312		79,197
Less: Due to State	17,035			17,035
Funds Held for Others	(150)	685		535
	$ 0	$ 61,627	$ 0	$ 61,627

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

Lenoir/Greene Partnership for Children, Inc.
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	Participant Training Expenditures
Smart Start Funds:									
Programs:									
Child Care and Education Quality	$ 419,383	$ 192,707	$ 949	$ 10,066	$ 46,453	$ 10,743	$ 3,841	$ 154,624	$ 0
Family Support	548,081	98,877		5,381	32,464	5,897	1,050	404,412	
Health and Safety	38,223	25,046		2,203	8,728	365	1,881		
More at Four	436,195	89,721		1,542	22,176	851	2,230	319,675	
	1,441,882	406,351	949	19,192	109,821	17,856	9,002	878,711	
Support:									
Management and General	210,607	167,041	1,505	1,403	30,085	7,487	3,086		
Program Evaluation	70,672	57,689		469	10,958	370	1,186		
	281,279	224,730	1,505	1,872	41,043	7,857	4,272		
Total Smart Start Fund Expenditures	$ 1,723,161	$ 631,081	$ 2,454	$ 21,064	$ 150,864	$ 25,713	$ 13,274	$ 878,711	$ 0
Other Funds:									
Programs:									
Child Care and Education Quality	$ 58,644	$ 26,993	$ 1,200	$ 6,904	$ 14,984	$ 2,015	$ 4,396	$ 955	$ 1,197
Family Support	10,363			524	342		497	9,000	
Health and Safety	1,086			632	258		196		
More at Four	956,332	21,593			379		498	933,862	
	1,026,425	48,586	1,200	8,060	15,963	2,015	5,587	943,817	1,197
Support:									
Management and General	33,958	23,933	9,025	856	144				
Other:									
Sales Tax Paid	5,809			5,809					
Total Other Funds Expenditures	$ 1,066,192	$ 72,519	$ 10,225	$ 14,725	$ 16,107	$ 2,015	$ 5,587	$ 943,817	$ 1,197

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Lenoir/Greene Partnership for Children, Inc. (Lenoir/Greene Partnership) is a legally separate nonprofit organization incorporated on October 21, 1994. The Lenoir/Greene Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Lenoir/Greene 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 Lenoir/Greene 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 Lenoir/Greene Partnership for Children, Inc. 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 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.

E. **Investments** - This classification includes certificates of deposit whose original maturity term exceeds three months. Investments are reported at cost, which approximates fair value.

F. **Due to the State** - The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.

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

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

I. **Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

J. **Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Lenoir/Greene 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 AND INVESTMENTS

A. Deposits - All funds of the Lenoir/Greene Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. Deposits over this amount subject the Lenoir/Greene Partnership to a concentration of credit risk. At June 30, 2007, the Lenoir/Greene Partnership's bank deposits in excess of the FDIC insured limit was $205,860.

B. Investments - The Lenoir/Greene Partnership held certificates of deposit with a total value of $17,462 as of June 30, 2007. Deposits over $100,000 subject the Lenoir/Greene Partnership to a concentration of investment risk. At June 30, 2007, the Lenoir/Greene Partnership's certificates of deposit in excess of the FDIC insured limit was $17,462.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Lenoir/Greene 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 Lenoir/Greene 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 Lenoir/Greene Partnership was awarded and has received $1,740,196 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Lenoir/Greene Partnership has returned $17,035 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

More at Four - The Lenoir/Greene Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Lenoir/Greene Partnership was awarded $962,168 and received $961,886 under a current year cost-reimbursement contract.

The Lenoir/Greene 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 Lenoir/Greene Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Lenoir/Greene Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Lenoir/Greene 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 Lenoir/Greene 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 Quality - Used to account for service activities associated with quality enhancement grants for upgrades and maintenance, child care resource and referral, and salary supplements.

Family Support - Used to account for service activities associated with ongoing parenting education, literacy projects, community outreach, information, and resources.

Health and Safety - Used to account for service activities associated with child care health consultants.

More at Four - Used to account for development and implementation of More at Four prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality prekindergarten 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 performance of service providers as to the delivery of services and adherence to the specific terms and conditions of the contracts.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Direct allocation based on employee time reports.

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

NOTE 6 - OPERATING LEASES

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

Fiscal Year	Operating Leases
2008	$ 2,372
2009	1,873
2010	226
Total Minimum Lease Payments	$ 4,471

Rental expense for all operating leases during the year was $3,617.

NOTE 7 - PENSION PLAN

The Lenoir/Greene Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of the Lenoir/Greene Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Lenoir/Greene Partnership contributed 6% of gross wages for the year ended June 30, 2007. The Lenoir/Greene Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Lenoir/Greene Partnership contributed $35,283 for pension benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Lenoir/Greene 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 Lenoir/Greene Partnership manages these various risks of loss as follows:

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 Lenoir/Greene 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 Lenoir/Greene 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 $23,545. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

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
Family Literacy Programs	$ 9,000

Lenoir/Greene Partnership for Children, Inc.
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
Aaron's Playground		$ 39,074	$ 0	$ 77,312	$ 0
Amazing Giants		9,798			
Deep Run Child Care		78,851		142,427	
Fairway Advertising				5,250	
Farmer N Dell Nursery, Inc.	*	70,478		106,302	
Greene County Department of Social Services	*	7,500			
Greene County Public Schools	*	138,452		239,380	
Greene Lamp, Inc.	*	17,570		114,023	
Jacob's Little Giants		9,122		753	
Johnson's Child Care		12,514			
Kaplan		7,104			
Lenoir County Cooperative Extension		134,628			
Lenoir County Department of Social Services		3,522			
Lenoir County Public Schools		234,012		256,682	
Morgan Printers				328	
Office Depot				456	
PIP Printing				200	
Signs Now				465	
The Play Palace Child Care		13,986		201	
Wal-Mart				38	
		776,611		943,817	
Individuals:					
Scholarships/Bonus Awards		102,100			
		$ 878,711	$ 0	$ 943,817	$ 0

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

Lenoir/Greene Partnership for Children, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2007 ***Schedule 2***

Organization Name		DHHS Contracts
Greene County Department of Social Servies - Administration	*	$ 30,000
Greene County Department of Social Servies - Subsidy	*	120,553
Lenoir County Department of Social Services - Administration		54,550
Lenoir County Department of Social Services - Subsidy		371,351
		$ 576,454

* 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.

Lenoir/Greene Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2007 ***Schedule 3***

Federal/State Grantor/Pass-through Grantor/Program		Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:					
US Department of Health and Human Services					
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development					
Reginal Division of Child Development Grant					
Child Care Resource and Referral		93.575	CCSA-07-L/G	$ 41,638	$ 41,638
Total Federal Awards				41,638	41,638
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	*		N/A	1,723,161	1,723,161
Multi-County Accounting and Contracting Grant			N/A	24,000	24,000
North Carolina Department of Public Instruction					
Office of School Readiness					
More at Four Pre-Kindergarten Program (Prior Year)			N/A		22,385
More at Four Pre-Kindergarten Program (Current Year)	*		0047-07	961,886	942,726
Total State Awards				2,709,047	2,712,272
Total Federal and State Awards				$ 2,750,685	$ 2,753,910

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

Lenoir/Greene Partnership for Children, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2007 *Schedule 4*

Furniture and Noncomputer Equipment	$	157,395
Computer Equipment/Printers		69,654
Buildings		319,069
Total Property and Equipment	$	546,118

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.

Lenoir/Greene Partnership for Children, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2007 *Schedule 5*

Match Provided at the Partnership Level:

Cash	$	9,352
In-Kind Goods and Services		2,761
	$	12,113

Match Provided at the Contractor Level:

Cash	$	107,785
In-Kind Goods and Services		220,867
	$	328,652

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.

TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KY 40243

BUSINESS: (502) 245-0775
FAX: (502) 245-0725
E-MAIL: WTICHENOR@TICHENORASSOCIATES.COM

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
Lenoir/Greene Partnership for Children, Inc.
Kinston, North Carolina

We have audited the financial statements of the Lenoir/Greene Partnership for Children, Inc. (Lenoir/Greene Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 15, 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 Lenoir/Greene 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 Lenoir/Greene Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lenoir/Greene 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 Lenoir/Greene 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 Lenoir/Greene Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Lenoir/Greene 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)

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 Lenoir/Greene 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 Lenoir/Greene 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 Lenoir/Greene Partnership's Board of Directors, management of the Lenoir/Greene 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

November 15, 2007

ORDERING INFORMATION

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