



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

ALLEGHANY PARTNERSHIP FOR CHILDREN, INC.

SPARTA, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2007

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT

ALLEGHANY PARTNERSHIP FOR CHILDREN, INC.

SPARTA, NORTH CAROLINA

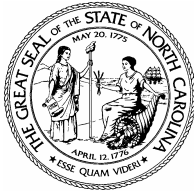
FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS

JOHN BRADY, BOARD CHAIR

ADMINISTRATIVE OFFICER

KIMBERLY W. SHAW, EXECUTIVE DIRECTOR



STATE OF NORTH CAROLINA
Office of the State Auditor

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

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AUDITOR'S TRANSMITTAL

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

We have completed a financial statement and compliance audit of the Alleghany Partnership for Children, Inc., (Alleghany Partnership) for the year ended June 30, 2007, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material aspects.

The audit of the Alleghany Partnership was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by General Statutes 143B-168.10-16. These statutes created The North Carolina Partnership for Children, Inc., and required the implementation of local demonstration projects (local partnerships). The Alleghany Partnership is one of these local partnerships. As such, the Alleghany Partnership is a private nonprofit 501(c)(3) organization and is subject to audit and review by the State Auditor under Article 5A of Chapter 147 of the General Statutes and as authorized in General Statute 143B-168.12(a)(7).

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements resulted in no audit findings.

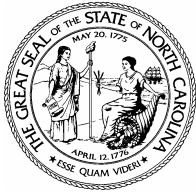
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Leslie W. Merritt, Jr.

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alleghany Partnership for Children, Inc.
Sparta, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Alleghany Partnership for Children, Inc. (Alleghany 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 Alleghany 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 Alleghany Partnership as of June 30, 2007, and the results of its operations arising from modified cash basis transactions for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2008, on our consideration of the Alleghany 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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 Allegheny Partnership'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.



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

May 5, 2008

Allegheny 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		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$581)	\$ 202,659	\$ 74,109	\$ 0	\$ 276,768
Federal Awards (less refunds of \$243)		131,115		131,115
Private Contributions		7,976	2,289	10,265
Special Fund Raising Events		885	2,126	3,011
Interest and Investment Earnings		274		274
Sales Tax Refunds		2,181		2,181
Other Receipts		21,082		21,082
Total Receipts	202,659	237,622	4,415	444,696
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		3,977	(3,977)	
	202,659	241,599	438	444,696
Expenditures:				
Programs:				
Child Care and Education Affordability	76,453	22,375		98,828
Child Care and Education Quality	34,540	6,468		41,008
Domestic Violence		118,477		118,477
Family Support	22,060	100,878		122,938
Support:				
Management and General	63,803	12,533		76,336
Program Coordination	5,803			5,803
Other:				
Sales Tax Paid		1,975		1,975
Total Expenditures	202,659	262,706		465,365
Excess of Receipts Over Expenditures		(21,107)	438	(20,669)
Net Assets at Beginning of Year		8,812	12,537	21,349
Net Assets at End of Year	\$ 0	\$ (12,295)	\$ 12,975	\$ 680
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 54	\$ (11,922)	\$ 12,975	\$ 1,107
Less: Due to the State	54			54
Funds Held for Others		373		373
	\$ 0	\$ (12,295)	\$ 12,975	\$ 680

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

Allegheny 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
Smart Start Fund:								
Programs:								
Child Care and Education Affordability	\$ 76,453	\$ 36,161	\$ 0	\$ 2,945	\$ 4,460	\$ 416	\$ 471	\$ 32,000
Child Care and Education Quality	34,540	29,445	35	405	2,876	1,779		
Family Support	22,060	17,542		2,118	2,400			
	<u>133,053</u>	<u>83,148</u>	<u>35</u>	<u>5,468</u>	<u>9,736</u>	<u>2,195</u>	<u>471</u>	<u>32,000</u>
Support:								
Management and General	63,803	48,151	1,255	1,225	7,224	5,124	824	
Program Coordination	5,803	4,633		455	395		320	
	<u>69,606</u>	<u>52,784</u>	<u>1,255</u>	<u>1,680</u>	<u>7,619</u>	<u>5,124</u>	<u>1,144</u>	
Total Smart Start Fund Expenditures	<u>\$ 202,659</u>	<u>\$ 135,932</u>	<u>\$ 1,290</u>	<u>\$ 7,148</u>	<u>\$ 17,355</u>	<u>\$ 7,319</u>	<u>\$ 1,615</u>	<u>\$ 32,000</u>
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 22,375	\$ 19,675	\$ 0	\$ 1,679	\$ 571	\$ 0	\$ 450	\$ 0
Child Care and Education Quality	6,468	460	43	1,224	1,905	2,304	532	
Domestic Violence	118,477	66,968	1,822	9,552	15,994	22,464	1,677	
Family Support	100,878	65,619	205	5,456	15,458	9,529	408	4,203
	<u>248,198</u>	<u>152,722</u>	<u>2,070</u>	<u>17,911</u>	<u>33,928</u>	<u>34,297</u>	<u>3,067</u>	<u>4,203</u>
Support:								
Management and General	12,533	1,597	9,692	766	329	73	76	
	<u>12,533</u>	<u>1,597</u>	<u>9,692</u>	<u>766</u>	<u>329</u>	<u>73</u>	<u>76</u>	
Other:								
Sales Tax Paid	1,975			1,975				
	<u>1,975</u>			<u>1,975</u>				
Total Other Funds Expenditures	<u>\$ 262,706</u>	<u>\$ 154,319</u>	<u>\$ 11,762</u>	<u>\$ 20,652</u>	<u>\$ 34,257</u>	<u>\$ 34,370</u>	<u>\$ 3,143</u>	<u>\$ 4,203</u>

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

ALLEGHANY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** – The Alleghany Partnership for Children, Inc. (Alleghany Partnership) is a legally separate nonprofit organization incorporated on December 12, 1994. The Alleghany Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Alleghany 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 Alleghany 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 Alleghany 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 recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 certificates of deposit or short-term investments with an original maturity of three months or less.
- E. Due to the State** – The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- F. Funds Held For Others** – Funds held for others includes amounts received that are fiduciary in nature in which the Alleghany Partnership acts in an agency capacity. At year end, the Alleghany Partnership was holding \$373 for the Chapel Hill Training Project, a service provider that was too small to maintain its own checking account.
- G. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Alleghany Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Alleghany 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 10.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- I. **Use of Estimates** – The preparation of financial statements in conformity with the modified cash basis of accounting used by the Alleghany 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 - DEFICIT NET ASSETS

At June 30, 2007, the Unrestricted Other Funds Column had a deficit net asset balance of \$12,295. The Alleghany Partnership had not received reimbursement for expenditures related to federal grant activities as identified on Schedule 3. The Alleghany Partnership received those funds subsequent to year end.

NOTE 3 - DEPOSITS

All funds of the Alleghany 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 Alleghany Partnership to a concentration of credit risk.

NOTE 4 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Alleghany 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 Alleghany 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 Alleghany Partnership was awarded and has received \$202,713 under a current year Smart Start contract with NCPC. The unexpended balance of this

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

contract is subject to reversion to the State. The Alleghany Partnership has returned \$54 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

Family Resource Center Program – The Alleghany Partnership’s also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Family Resource Center (FRC) Program.

The Alleghany Partnership was awarded \$100,000 under a current year FRC contract with DHHS and has received \$70,981 of this amount. The Alleghany Partnership expects to receive continued funding through new FRC Program contracts with the State.

Domestic Violence Program – The Alleghany Partnership also received revenue and support from the State of North Carolina based on a contract with North Carolina Department of Administration for a Domestic Violence Program. The Alleghany Partnership was awarded a base amount of \$49,338 plus a pro-rated share of marriage license fees collected in North Carolina. At June 30, 2007 the Alleghany Partnership had received \$62,690 in grant revenue.

The Alleghany Partnership expects to receive continued funding through new Domestic Violence Program contracts with the State.

Governor’s Crime Commission – The Alleghany Partnership for Children, Inc. also receives funding on a cost-reimbursement contract with Governor’s Crime Commission for the Domestic Abuse is Not Accepted (DANA) program, a domestic violence program.

The Alleghany Partnership was awarded \$45,000 through a current year contract with the Governor’s Crime Commission and has received \$34,741 of this amount. The Alleghany Partnership expects to receive continued funding through new Governor’s Crime Commission contracts with the State.

NOTE 5 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations – The board members of the Alleghany Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Alleghany Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Alleghany

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Alleghany Partnership's Smart Start Allocation.

NOTE 6 - FUNCTIONAL EXPENDITURES

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

A. Program Functions

Child Care and Education Affordability – Used to account for service activities including pre-K/Preschool classes and part-day care programs.

Child Care and Education Quality – Used to account for service activities associated with child care resource and referral.

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

Family Support – Used to account for service activities including family resource centers, ongoing parenting education, and community outreach information and resources.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 7 - OPERATING LEASE OBLIGATIONS

Rental expense for all operating leases during the year was \$16,630.

NOTE 8 - 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 Alleghany Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Alleghany Partnership contributed a dollar for dollar match up to a maximum of 6% 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 Alleghany Partnership contributed \$6,782 for retirement benefits during the year.

NOTE 9 - RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Compensated Absences – As a result of the Alleghany 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 \$10,688. No funds or reservation of net assets has been made for this commitment.

NOTE 11 - 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>
Domestic Violence	\$ 10,048
Education Station	2,830
Family Resource Center	43
Alleghany Cares	54
	<u>\$ 12,975</u>

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

- 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
Domestic Violence	\$ 1,175
Education Station	2,700
Family Resource Center	102
	<u>\$ 3,977</u>

Alleghany 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		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<i>Paid to Organizations:</i>				
Alleghany Board of Education	* \$ 32,000	\$ 0	\$ 0	\$ 0
<i>Paid to Individuals:</i>				
Various Individuals			4,203	
	<u>\$ 32,000</u>	<u>\$ 0</u>	<u>\$ 4,203</u>	<u>\$ 0</u>

* These organizations are represented on the Partnership's Board as described in Note 5 - Service Provider Contracts with Board Member Organizations.

Alleghany Partnership for Children, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2007

Schedule 2

Organization Name	DHHS Contracts
* Alleghany County Department of Social Services	\$ 34,000
Child Care Services Association - WAGE\$ Program	18,500
	<u>\$ 52,500</u>

* These organizations are represented on the Partnership's Board as described in Note 5 - 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 4 - Funding from Grant Awards.

Alleghany 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:				
Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services				
Promoting Safe and Stable Families (Prior Year)	93.556	01099-06	\$ 7,975	\$ 0
Promoting Safe and Stable Families (Current Year)	93.556	* 01099-07	70,981	99,087
Pass-through from Alleghany County Department of Social Services				
Temporary Assistance for Needy Families	93.558	N/A	5,168	5,168
Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development				
Child Care And Development Block Grant (Prior Year)	93.575	013-066-01	1,859	(243)
Child Care And Development Block Grant (Current Year)	93.575	13-07-01	3,173	6,055
Southwestern Child Development Commission	93.575	N/A	1,086	
U.S. Department of Justice Office of Juvenile Justice and Delinquency Prevention				
Pass-through from the North Carolina Department of Crime Control and Public Safety -- Governor's Crime Commission Division				
Crime Victim Assistance (Prior Year)	16.575	N/A	6,132	
Crime Victim Assistance (Current Year)	16.575	* N/A	34,741	41,713
Total Federal Awards			131,115	151,780
State Awards:				
North Carolina Department of Administration				
Pass-through from the North Carolina Council for Women				
Domestic Violence (Prior Year)	N/A	N/A	(581)	(200)
Domestic Violence (Current Year)	N/A	* N/A	62,690	62,570
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	* N/A	202,659	202,659
Multi-County Accounting and Contracting Grant	N/A	N/A	12,000	12,000
Total State Awards			276,768	277,029
Total Federal and State Awards			\$ 407,883	\$ 428,809

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

Alleghany 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	\$	19,113
Computer Equipment/Printers		46,031
Leasehold Improvements		70,814
Motor Vehicles		14,803
		<hr/>
Total Property and Equipment	\$	<u>150,761</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.

***Alleghany 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:

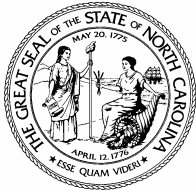
Cash	\$	28,218
In-Kind Goods and Services		<u>15,815</u>
	\$	<u><u>44,033</u></u>

Match Provided at the Contractor Level:

Cash	\$	<u><u>7,902</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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STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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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**

Board of Directors
Alleghany Partnership for Children, Inc.
Sparta, North Carolina

We have audited the financial statements of the Alleghany Partnership for Children, Inc. (Alleghany Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated May 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

As described in Note 1, the accompanying financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Alleghany 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 Alleghany Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alleghany 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 Alleghany 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 Alleghany Partnership's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
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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 Alleghany Partnership's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies 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 Alleghany 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 Alleghany Partnership Board or Directors, management of the Alleghany Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be and should not be used by anyone other than these specified parties.

Leslie W. Merritt, Jr.

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

May 5, 2008

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