

**RANDOLPH COUNTY PARTNERSHIP
FOR CHILDREN
Asheboro, 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**

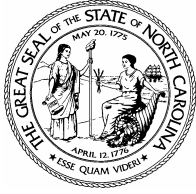
FINANCIAL STATEMENT AUDIT REPORT OF
RANDOLPH COUNTY PARTNERSHIP FOR CHILDREN
ASHEBORO, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS

J.B. GRIFFITH, III, BOARD CHAIR

ADMINISTRATIVE OFFICER

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STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

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

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

The audit of the Randolph County Partnership for Children was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-16. This statute created The North Carolina Partnership for Children, Inc. and required the implementation of local partnerships. The Randolph County Partnership for Children is one of these local partnerships. As such, the Randolph County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14(b) to have a financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the *North Carolina General Statutes*.

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

Leslie W. Merritt, Jr.

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Randolph County Partnership for Children
Asheboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Randolph County Partnership for Children (Randolph 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 Randolph 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 Randolph County Partnership for Children as of June 30, 2007, and its receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

The Randolph Partnership has adjusted its opening unrestricted, temporarily restricted and permanently restricted net assets to properly account for the Endowment Fund under the terms of its agreement with the Community Foundation of Greater Greensboro, Inc. as described in Note 12.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2007 on our consideration of the Randolph 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 Randolph County Partnership for Children's basic financial statements. The information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1, 3, 4 and 5 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

Clifton Gunderson LLP

Raleigh, North Carolina
November 15, 2007

Randolph County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2007

Exhibit A

	Smart Start Fund	Other Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total Funds
Receipts:					
State Awards (less refunds of \$55)	\$ 1,722,262	\$ 864,500	\$ -	\$ -	\$ 2,586,762
Federal Awards	-	27,255	-	-	27,255
Private Contributions	-	47,828	9,439	-	57,267
Special Fund Raising Events	-	3,609	-	-	3,609
Interest and Investment Earnings	-	22,581	-	-	22,581
Sales Tax Refunds	-	3,907	-	-	3,907
Total Receipts	1,722,262	969,680	9,439	-	2,701,381
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	-	41,390	(41,390)	-	-
	1,722,262	1,011,070	(31,951)	-	2,701,381
Expenditures:					
Programs:					
Child Care and Education Affordability	344,882	41,386	-	-	386,268
Child Care and Education Quality	449,801	27,255	-	-	477,056
Family Support	243,961	6,917	-	-	250,878
Health and Safety	298,475	-	-	-	298,475
Liberty Early Childhood Center	-	16,262	-	-	16,262
More at Four	-	932,658	-	-	932,658
Support:					
Management and General	236,403	15,637	-	-	252,040
Program Coordination/Evaluation	148,740	5,475	-	-	154,215
Other:					
Sales Tax Paid	-	6,418	-	-	6,418
Total Expenditures	1,722,262	1,052,008	-	-	2,774,270
Excess (Deficiency) of Receipts Over Expenditures	-	(40,938)	(31,951)	-	(72,889)
Net Assets at Beginning of Year	-	120,396	48,291	31,865	200,552
Prior Period Adjustment	-	8,377	(6,512)	(1,865)	-
Net Assets at Beginning of Year as Restated	-	128,773	41,779	30,000	200,552
Net Assets at End of Year	\$ -	\$ 87,835	\$ 9,828	\$ 30,000	\$ 127,663
Net Assets Consisted of:					
Cash and Cash Equivalents	\$ 25,998	\$ 72,470	\$ 9,828	\$ -	\$ 108,296
Benefit Interest in the Community Foundation	-	15,072	-	30,000	45,072
Refunds Due From Contractors	2,528	293	-	-	2,821
	28,526	87,835	9,828	30,000	156,189
Less: Due to the State	(28,455)	-	-	-	(28,455)
Funds Held for Others	(71)	-	-	-	(71)
	\$ -	\$ 87,835	\$ 9,828	\$ 30,000	\$ 127,663

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

***Randolph County Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2007***

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants	Participant Training Expenditures
Smart Start Fund:									
Programs:									
Child Care and Education Affordability	\$ 344,882	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 344,882	\$ -
Child Care and Education Quality	449,801	96,397	3,824	7,887	32,815	19,588	1,846	287,444	-
Family Support	243,961	45,378	4,300	4,215	22,123	406	857	166,682	-
Health and Safety	298,475	-	-	-	-	-	-	298,475	-
	<u>1,337,119</u>	<u>141,775</u>	<u>8,124</u>	<u>12,102</u>	<u>54,938</u>	<u>19,994</u>	<u>2,703</u>	<u>1,097,483</u>	<u>-</u>
Support:									
Management and General	236,403	177,601	4,150	6,738	35,982	9,160	2,772	-	-
Program Coordination/Evaluation	148,740	124,256	5,032	3,313	10,369	1,719	2,142	-	1,909
	<u>385,143</u>	<u>301,857</u>	<u>9,182</u>	<u>10,051</u>	<u>46,351</u>	<u>10,879</u>	<u>4,914</u>	<u>-</u>	<u>1,909</u>
Other:									
Sales Tax Paid	-	-	-	-	-	-	-	-	-
Total Smart Start Fund Expenditures	<u>\$ 1,722,262</u>	<u>\$ 443,632</u>	<u>\$ 17,306</u>	<u>\$ 22,153</u>	<u>\$ 101,289</u>	<u>\$ 30,873</u>	<u>\$ 7,617</u>	<u>\$ 1,097,483</u>	<u>\$ 1,909</u>
Other Funds:									
Programs:									
Child Care and Education Affordability	\$ 41,386	\$ -	\$ -	\$ 815	\$ -	\$ -	\$ 864	\$ 39,707	\$ -
Child Care and Education Quality	27,255	27,255	-	-	-	-	-	-	-
Family Support	6,917	-	-	220	4,780	-	-	1,917	-
Liberty Early Childhood Center	16,262	-	-	-	-	-	-	16,262	-
More at Four	932,658	15,976	-	834	4,049	-	-	911,799	-
	<u>1,024,478</u>	<u>43,231</u>	<u>-</u>	<u>1,869</u>	<u>8,829</u>	<u>-</u>	<u>864</u>	<u>969,685</u>	<u>-</u>
Support:									
Management and General	15,637	-	6,388	-	8,154	754	341	-	-
Program Coordination/Evaluation	5,475	-	-	5,475	-	-	-	-	-
	<u>21,112</u>	<u>-</u>	<u>6,388</u>	<u>5,475</u>	<u>8,154</u>	<u>754</u>	<u>341</u>	<u>-</u>	<u>-</u>
Other:									
Sales Tax Paid	6,418	-	-	6,418	-	-	-	-	-
	<u>6,418</u>	<u>-</u>	<u>-</u>	<u>6,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 1,052,008</u>	<u>\$ 43,231</u>	<u>\$ 6,388</u>	<u>\$ 13,762</u>	<u>\$ 16,983</u>	<u>\$ 754</u>	<u>\$ 1,205</u>	<u>\$ 969,685</u>	<u>\$ -</u>

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

Randolph County Partnership for Children
Notes to the Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Randolph County Partnership for Children (Randolph Partnership) is a legally separate nonprofit organization incorporated on August 27, 1998. The Randolph Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Randolph 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 Randolph Partnership's Board of Directors is responsible. Pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this Statement, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

Contributions that are temporarily restricted and not expended within the year received are reported as an increase in temporarily restricted net assets. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Receipts, Expenditures, and Net Assets as net assets released from restrictions.

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

- C. Basis of Accounting** - The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long-lived assets and other costs which benefit more than one period as expended in the year purchased; it 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.

Randolph County Partnership for Children
Notes to the Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (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 certificate of deposits or short-term investments with an original maturity of three months or less.

E. Investments - This classification consists of funds invested in an endowment fund with the Community Foundation of Greater Greensboro, Inc. as reported in Note 11.

F. Refunds Due From Contractors - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.

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

H. Funds Held For Others - Funds held for others includes amounts received that are fiduciary in nature in which the Randolph Partnership acts in an agency capacity. For the year ended June 30, 2007, the Randolph Partnership was holding amounts withheld from employee paychecks for distribution to the Partnership's health insurance provider.

I. Property and Equipment - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Randolph Partnership is required by contract regulation to track and maintain property and equipment items as policy to track purchases of property and equipment items with an individual cost of \$500 or more and an equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are

Randolph County Partnership for Children
Notes to the Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property and Equipment (continued)

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.

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

K. Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Randolph Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

NOTE 2 - DEPOSITS

All funds of the Randolph County Partnership for Children 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 Randolph Partnership to a concentration of credit risk. At June 30, 2007, the Randolph Partnership's bank deposits in excess of the FDIC insured limit was \$278,224.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Randolph 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

Randolph County Partnership for Children
Notes to the Financial Statements
June 30, 2007

NOTE 3 - FUNDING FROM GRANT AWARDS (CONTINUED)

Smart Start Program (continued)

contracts with and made payments to service providers selected by the Randolph 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 Randolph Partnership was awarded and has received \$1,750,717 under a current year Smart Start contract with NCPD. The unexpended balance of this contract is subject to reversion to the State. The Randolph Partnership has returned \$28,455 of this contract to the State based on financial status reports submitted to NCPD subsequent to June 30, 2007.

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

More at Four - The Randolph Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Randolph Partnership was awarded and received \$852,555 under a current year contract.

The Randolph 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 Randolph Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Randolph Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Randolph 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 Randolph 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:

Randolph County Partnership for Children
Notes to the Financial Statements
June 30, 2007

NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)

A. Program Functions

Child Care and Education Affordability - Used to account for service activities including or associated with pre-K classes, public pre-K classes, and Head Start wraparound/extended day,

Child Care and Education Quality - Used to account for service activities including or associated with quality enhancement grants to improve quality, child care resource and referral services, professional development for child care providers, or health benefits for child care providers.

Family Support - Used to account for service activities including teen parent/child programs, ongoing parenting education, general family support, or community outreach information and resources.

Health and Safety - Used to account for service activities including prenatal/newborn services and child care health consultants.

Liberty Early Childhood Center - Used for building renovations of the old Liberty Elementary School to become the Liberty Early Childhood Center.

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

B. Support Functions

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

Program Coordination/Evaluation - 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, monitoring the effectiveness and feasibility of 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.

Randolph County Partnership for Children
Notes to the Financial Statements
June 30, 2007

NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)

C. Allocation of Joint Costs (continued)

Other Costs - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were allocated based on estimates of utilization or 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 year</u>	<u>Operating Leases</u>
2008	\$ 10,035
2009	1,780
2010	<u>302</u>
Total Minimum Lease Payments	<u>\$ 12,117</u>

Rental expense for all operating leases during the year was \$10,644.

NOTE 7 - PENSION PLAN

IRC Section 403(b) Plan- All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the Randolph Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Randolph Partnership contributed 10% 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. No costs are incurred by the Randolph Partnership. For the year ended June 30, 2007, the Randolph Partnership contributed \$25,322 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

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

Randolph County Partnership for Children
Notes to the Financial Statements
June 30, 2007

NOTE 8 - RISK MANAGEMENT (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 Randolph 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 Randolph 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 \$12,239. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - TEMPORARILY RESTRICTED 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>
Success by Six	\$ 5,589
Hayworth Building Fund	4,239
	<u>\$ 9,828</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>
Hayworth Building Fund	\$ 2,923
Success by Six	22,205
Liberty Early Childhood Center – Renovations	16,262
	<u>\$ 41,390</u>

Randolph County Partnership for Children
Notes to the Financial Statements
June 30, 2007

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2007 are available for the following purpose:

<u>Purpose</u>	<u>Amount</u>
Randolph County Partnership for Children Endowment Fund	<u>\$ 30,000</u>

The Board of the Randolph Partnership authorized the establishment of the Randolph County Partnership for Children Endowment (the Endowment) at an initial target amount of \$20,000 with a matching contribution from the Community Foundation of Greater Greensboro, Inc. in the amount of \$10,000. The Endowment shall be devoted to the support of Randolph County Partnership for Children and its programs. The above represents the permanently restricted assets of the Endowment at June 30, 2007.

The Endowment was established through the Community Foundation of Greater Greensboro, Inc. (Community Foundation) prior to June 30, 2003. The agreement between Randolph Partnership and Community Foundation provides that all the contributions to the Endowment are irrevocable. The Community Foundation will make distributions of the income earned on the Endowment, subject to the Community Foundation's spending policy. The agreement also permits the Community Foundation to substitute another beneficiary in the place of the Randolph Partnership if the Partnership ceases to exist or if the Partnership ceases to be an organization described in Internal Revenue Code Sections 170c and 501c(3). Therefore, the Randolph Partnership has explicitly granted variance power to the Community Foundation. The Randolph Partnership's endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis as Benefit Interest in the Community Foundation.

NOTE 12 - RECLASSIFICATION OF NET ASSETS

During the year ended June 30, 2007, it was determined that certain net assets were incorrectly classified as temporarily and permanently restricted at June 30, 2006. These amounts totaling \$8,377 have been reclassified through a prior period adjustment on Exhibit A.

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

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<i>Paid to Organizations:</i>				
Asheboro City Schools*	\$ 210,828	\$ 683	\$ 291,918	\$ -
First Church of God Day School - Health Insurance Program	27,285	-	-	-
First Steps Early Learning Center - Health Insurance Program	11,567	-	-	-
My Circle of Friends Enrichment Center - Health Insurance Program	15,534	-	-	-
Precious Memories Preschool - Health Insurance Program	6,308	-	-	-
Randolph Community College*	45,302	36	-	-
Randolph County Health Department*	299,542	1,067	-	-
Randolph County Library*	85,472	373	1,917	-
Randolph County Schools*	287,042	369	601,215	293
Regional Consolidated Services	-	-	74,928	-
Shepherd's Way Day School - Health Insurance Program	30,052	-	-	-
The Children's Center - Health Insurance Program	18,265	-	-	-
The Growing Place/ First Baptist Church - Health Insurance Program	24,426	-	-	-
The Rainbow Connection Child Care Center - Health Insurance Program	10,057	-	-	-
	<u>1,071,680</u>	<u>2,528</u>	<u>969,978</u>	<u>293</u>
<i>Paid to Individuals:</i>				
Educational Incentives	4,200	-	-	-
Grants to Child Care Centers	24,131	-	-	-
	<u>28,331</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,100,011</u>	<u>\$ 2,528</u>	<u>\$ 969,978</u>	<u>\$ 293</u>

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

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

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - Wage\$ Program	\$ 250,000
Randolph County Department of Social Services*	969,305
	<u>\$ 1,219,305</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.

Randolph County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2007

Schedule 3

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
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 United Child Development Services	93.575	6223	\$ 27,255	\$ 27,255
Total Federal Awards			<u>27,255</u>	<u>27,255</u>
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	* 1,722,262	1,722,262
Multi-County Accounting and Contracting Grant (Prior Year)		N/A	(55)	
Multi-County Accounting and Contracting Grant (Current Year)		N/A	12,000	11,502
North Carolina Department of Public Instruction, Office of School Readiness				
More at Four Pre-Kindergarten Program (Prior Year)				106,732
More at Four Pre-Kindergarten Program (Current Year)		2090004345	* 852,555	825,926
Total State Awards			<u>2,586,762</u>	<u>2,666,422</u>
Total Federal and State Awards			<u>\$ 2,614,017</u>	<u>\$ 2,693,677</u>

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

The accompanying schedule of federal and state awards includes the federal and state grant activity of the Randolph County Partnership for Children and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

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

Schedule 4

Furniture and Noncomputer Equipment	\$ 9,917
Computer Equipment/Printers	43,022
Buildings	168,177
Leasehold Improvements	<u>8,367</u>
Total Property and Equipment	<u>\$ 229,483</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.

**Randolph County 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	\$ 90,337
In-Kind Goods and Services	<u>3,789</u>
	<u>\$ 94,126</u>

Match Provided at the Contractor Level:

Cash	\$ 228,932
In-Kind Goods and Services	<u>114,076</u>
	<u>\$ 343,008</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**

Board of Directors
Randolph County Partnership for Children
Asheboro, North Carolina

We have audited the financial statements of the Randolph County Partnership for Children (Randolph 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 Randolph County 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 Randolph County Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Randolph County 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 Randolph County 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 Randolph County Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Randolph County Partnership's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting.

**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)**

During the course of our audit, we discovered a misstatement related to accounting for temporarily and permanently restricted net assets that potentially could have a material effect on the Partnership's financial statements. We recommend that management establish procedures to identify relevant factors that may affect the manner in which these transactions are recorded in the general ledger and disclosed in the financial statements.

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 Randolph County Partnership's internal control. We do not consider the significant deficiency to be a material weakness.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Randolph County 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 Randolph County Partnership's Board of Directors, management of the Randolph County 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 Henderson LLP

Raleigh, North Carolina
November 15, 2007

***Randolph County Partnership for Children
Audit Findings and Responses
For the Year Ended June 30, 2007***

Matters Related to Financial Reporting

The following finding and response were identified during the current audit and describe a condition that represents a significant deficiency in internal control or noncompliance with laws, regulations, contracts, and grant agreements.

Finding 2007-1 - Accounting for Temporarily and Permanently Restricted Net Assets

During the course of our audit, we discovered a misstatement related to accounting for temporarily and permanently restricted net assets. Earnings on permanently restricted net assets were being recorded as temporarily restricted revenues and net assets. In addition the permanently restricted net asset total was not being accounted for properly.

Partnership Response: The Partnership was accounting for both the permanently restricted net assets and their annual investment earnings and distributions according to accounting advice provided by its predecessor auditors. The Partnership did not independently implement the current accounting procedures, but rather recorded the audit adjustments given to it by its external auditors at the conclusion of its most recent audit engagement performed by an independent CPA. The Partnership's Board and management are troubled by the lack of consistency among CPA firms.

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the website at 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:

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