

FINANCIAL STATEMENT AUDIT REPORT OF
HOKE COUNTY PARTNERSHIP FOR CHILDREN AND FAMILIES

RAEFORD, 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

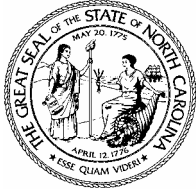
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RAEFORD, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS

MIKE WOOD, BOARD CHAIR

ADMINISTRATIVE OFFICER

JEAN SQUIER, EXECUTIVE DIRECTOR



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, Hoke County Partnership for Children and Families

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

The audit of the Hoke County Partnership for Children and Families 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 Hoke County Partnership for Children and Families is one of these local partnerships. As such, the Hoke County Partnership for Children and Families 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
Hoke County Partnership for Children and Families
Raeford, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis of the Hoke County Partnership for Children and Families (Hoke 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 Hoke 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 Hoke County Partnership for Children and Families 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 February 1, 2008, on our consideration of the Hoke Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hoke County Partnership for Children and Families' 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.

Garner, North Carolina
February 1, 2008

***Hoke County Partnership for Children and Families
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 | \$ 1,221,014 | \$ 12,000 | \$ 0 | \$ 1,233,014 |
| Private Contributions | | 11,121 | | 11,121 |
| Special Fund Raising Events | | | 794 | 794 |
| Sales Tax Refunds | | 1,087 | | 1,087 |
| Total Receipts | 1,221,014 | 24,208 | 794 | 1,246,016 |
| Net Assets Released from Restrictions: | | | | |
| Satisfaction of Program Restrictions | | 821 | (821) | |
| | 1,221,014 | 25,029 | (27) | 1,246,016 |
| Expenditures: | | | | |
| Programs: | | | | |
| Child Care and Education Affordability | 460,835 | 1,002 | | 461,837 |
| Child Care and Education Quality | 289,070 | | | 289,070 |
| Family Support | 109,166 | 600 | | 109,766 |
| Health and Safety | 206,335 | | | 206,335 |
| Support: | | | | |
| Management and General | 127,742 | 22,884 | | 150,626 |
| Program Coordination | 7,866 | | | 7,866 |
| Program Evaluation | 20,000 | | | 20,000 |
| Other: | | | | |
| Sales Tax Paid | | 1,454 | | 1,454 |
| Total Expenditures | 1,221,014 | 25,940 | 0 | 1,246,954 |
| Excess of Expenditures Over Receipts | | (911) | (27) | (938) |
| Net Assets at Beginning of Year | | 2,463 | 821 | 3,284 |
| Net Assets at End of Year | \$ 0 | \$ 1,552 | \$ 794 | \$ 2,346 |
| Net Assets Consisted of: | | | | |
| Cash and Cash Equivalents | \$ 8 | \$ 1,552 | \$ 794 | \$ 2,354 |
| Refunds Due From Contractors | 4,679 | | | 4,679 |
| | 4,687 | 1,552 | 794 | 7,033 |
| Less: Due to the State | 4,687 | | | 4,687 |
| | \$ 0 | \$ 1,552 | \$ 794 | \$ 2,346 |

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

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

Exhibit B

| | <u>Total</u> | <u>Personnel</u> | <u>Contracted Services</u> | <u>Supplies and Materials</u> | <u>Other Operating Expenditures</u> | <u>Fixed Charges and Other Expenditures</u> | <u>Property and Equipment Outlay</u> | <u>Services/ Contracts/ Grants</u> |
|--|---------------------|-------------------|--------------------------------|---------------------------------------|---|---|--|--|
| Smart Start Fund: | | | | | | | | |
| Programs: | | | | | | | | |
| Child Care and Education Affordability | \$ 460,835 | \$ 52,929 | \$ 516 | \$ 4,583 | \$ 11,901 | \$ 12,424 | \$ 0 | \$ 378,482 |
| Child Care and Education Quality | 289,070 | | | | | | | 289,070 |
| Family Support | 109,166 | | | 3,760 | | | | 105,406 |
| Health and Safety | 206,335 | | | | | | | 206,335 |
| | <u>1,065,406</u> | <u>52,929</u> | <u>516</u> | <u>8,343</u> | <u>11,901</u> | <u>12,424</u> | <u>0</u> | <u>979,293</u> |
| Support: | | | | | | | | |
| Management and General | 127,742 | 74,086 | 9,000 | 3,638 | 11,924 | 26,698 | 2,396 | |
| Program Coordination | 7,866 | 6,797 | | 325 | 321 | 423 | | |
| Program Evaluation | 20,000 | | | | | | | 20,000 |
| | <u>155,608</u> | <u>80,883</u> | <u>9,000</u> | <u>3,963</u> | <u>12,245</u> | <u>27,121</u> | <u>2,396</u> | <u>20,000</u> |
| Total Smart Start Fund Expenditures | <u>\$ 1,221,014</u> | <u>\$ 133,812</u> | <u>\$ 9,516</u> | <u>\$ 12,306</u> | <u>\$ 24,146</u> | <u>\$ 39,545</u> | <u>\$ 2,396</u> | <u>\$ 999,293</u> |
| Other Funds: | | | | | | | | |
| Programs: | | | | | | | | |
| Child Care and Education Affordability | \$ 1,002 | \$ 0 | \$ 0 | \$ 804 | \$ 0 | \$ 198 | \$ 0 | \$ 0 |
| Family Support | 600 | | | | | | | 600 |
| | <u>1,602</u> | | | <u>804</u> | | <u>198</u> | | <u>600</u> |
| Support: | | | | | | | | |
| Management and General | 22,884 | | 21,960 | 467 | | 457 | | |
| Other: | | | | | | | | |
| Sales Tax Paid | 1,454 | | | 1,454 | | | | |
| Total Other Funds Expenditures | <u>\$ 25,940</u> | <u>\$ 0</u> | <u>\$ 21,960</u> | <u>\$ 2,725</u> | <u>\$ 0</u> | <u>\$ 655</u> | <u>\$ 0</u> | <u>\$ 600</u> |

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

HOKE COUNTY PARTNERSHIP FOR CHILDREN AND FAMILIES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Hoke County Partnership for Children and Families (Hoke Partnership) is a legally separate nonprofit organization incorporated on October 17, 1994. The Hoke Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Hoke 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 Hoke 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 Hoke 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.

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 funds 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. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- F. Due to the State** - The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Hoke Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Hoke 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 8.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Hoke Partnership requires management to make estimates and assumptions that affect

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Hoke 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 Hoke 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 Hoke Partnership was awarded and has received \$1,225,701 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Hoke Partnership has returned \$4,687 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

Multi-County Accounting and Contracting - The Hoke Partnership also received revenue and support from the State of North Carolina for their participation in the Multi-County Accounting and Contracting Program. The unexpended balance of this contract is subject to reversion to the State. The Hoke Partnership was awarded and has received \$12,000 under a current year contract for the payment of administrative and accounting services. The Hoke Partnership had no unexpended funds as of June 30, 2007.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - RELATED PARTY TRANSACTIONS

- A. Service Provider Contracts with Board Member Organizations** - The board members of the Hoke Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Hoke Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Hoke 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 Hoke Partnership's Smart Start Allocation.
- B. Other Related Parties** - The Hoke Partnership is party to a contract with the County of Hoke (County) for the lease of a recreational vehicle that is used as a mobile resource center. A representative from the County is a board member of the Hoke Partnership. The amounts paid included:

| <u>Expenditures</u> | <u>Amount</u> |
|--------------------------------|---------------|
| Annual Lease | \$ 1 |
| Automobile Liability Insurance | 969 |
| | <u>\$ 970</u> |

NOTE 4 - 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 child care subsidy administration (expansion of the North Carolina Division of Child Development (DCD) reimbursement system), pre-K/Preschool classes, child care cost supports (expansion of the DCD reimbursement system), child care subsidy programs outside of DCD reimbursement system, and part-day programs.

Child Care and Education Quality - Used to account for service activities including quality enhancement grants to improve quality, child

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

care resource and referral services, and professional development supplements.

Family Support - Used to account for service activities including parenting education, literacy programs, and transportation services for children and their families.

Health and Safety - Used to account for service activities including oral health services, health screenings, health services and support, and special needs - early intervention services/special education.

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.

Program Evaluation - Expenditures that are incurred to monitor the effectiveness and feasibility of Partnership activities and contract agencies to determine if the short-term and long-term goals are being achieved.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - LEASE OBLIGATIONS

- A. 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 | \$ 38,880 |

The above rental expense will be offset by \$6,089 in sublease rental income for the year ending June 30, 2008.

Rental expense for all operating leases during the year was \$37,260. Rentals under subleases during the year amounted to \$5,451.

- B. Capital Lease Obligations** - Capital lease obligations relating to copier equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2007:

| <u>Fiscal Year</u> | <u>Capital Leases</u> |
|------------------------------|---------------------------|
| 2008 | \$ 6,983 |
| 2009 | 6,864 |
| 2010 | 6,864 |
| 2011 | 6,864 |
| 2012 | 4,124 |
| Total Minimum Lease Payments | \$ 31,699 |

NOTE 6 - PENSION PLANS

- A. Retirement Plans** - The Hoke Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of the Hoke Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Hoke Partnership contributed 25% of gross wages for the period January 1, 2007, through June 30, 2007. Beginning July 1, 2007, the employer contribution was reduced to 10%. The Hoke Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Hoke Partnership contributed \$12,002 for pension benefits during the year.
- B. IRC Section 403(b) Plan** - All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The employee's eligible

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. No costs were incurred by the Hoke Partnership during 2007.

NOTE 7 - RISK MANAGEMENT

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

| <u>Type of Loss</u> | <u>Method Managed</u> | <u>Risk of Loss Retained</u> |
|--|--------------------------------|------------------------------|
| Torts, errors and omissions, health and life | Purchased commercial insurance | None |
| Workers Compensation – Employee injuries | Purchased commercial insurance | None |
| Physical property loss and natural disasters | Purchased commercial insurance | None |

Management believes such coverage is sufficient to preclude any significant losses to the Hoke Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Compensated Absences - As a result of the Hoke 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 \$2,159. No funds or reservation of net assets has been made for this commitment.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 9 - RESTRICTIONS ON NET ASSETS

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

| Purpose | Amount |
|------------------|--------|
| Mobile Preschool | \$ 794 |

- 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 |
|--------------------------------------|---------------|
| English as a Second Language Program | \$ 17 |
| Mobile Preschool | 804 |
| | <u>\$ 821</u> |

***Hoke County Partnership for Children and Families
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 |
| Child Care Connections | * \$ 289,750 | \$ 680 | \$ 0 | \$ 0 |
| First Health Dental Care Center | 5,500 | | | |
| Hoke County Cooperative Extension | * 87,000 | 3,594 | | |
| Hoke County Health Department | 93,240 | | | |
| Hoke County Schools | * 359,482 | | | |
| National Fire & Safety Council, Inc. | | | 600 | |
| Pediatric Developmental Therapy Center | 34,000 | | | |
| Sandhills Children Center | 23,500 | | | |
| Sandhills Community College | * 19,000 | | | |
| Sandhills Regional Library System | * 20,000 | | | |
| Southeastern Regional Rehabilitation Center | 12,000 | | | |
| Speech Connections, LLC | 40,500 | 405 | | |
| | <u>983,972</u> | <u>4,679</u> | <u>600</u> | <u>0</u> |
| Individuals: | | | | |
| Program Evaluation Services | 20,000 | | | |
| | <u>\$ 1,003,972</u> | <u>\$ 4,679</u> | <u>\$ 600</u> | <u>\$ 0</u> |

* These organizations are represented on the Partnership's Board as described in Note 3A - Service Provider Contracts with Board Member Organizations.

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

Schedule 2

| Organization Name | DHHS Contracts |
|---|---------------------------|
| Hoke County Department of Social Services | * \$ <u>92,570</u> |

* This organization is represented on the Partnership's Board as described in Note 3A - 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 2 - Funding from Grant Awards.

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

Schedule 3

| <u>State Grantor/Pass-through Grantor/Program</u> | <u>Contract #</u> | <u>Receipts</u> | <u>Expenditures</u> |
|---|-------------------|---------------------|---------------------|
| 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 | * | \$ 1,221,014 | \$ 1,221,014 |
| Multi-County Accounting and Contracting Grant | * | 12,000 | 12,000 |
| Total State Awards | | <u>\$ 1,233,014</u> | <u>\$ 1,233,014</u> |

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

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

Schedule 4

| | | |
|-------------------------------------|----|----------------------|
| Furniture and Noncomputer Equipment | \$ | 10,294 |
| Computer Equipment/Printers | | <u>47,038</u> |
| Total Property and Equipment | \$ | <u><u>57,332</u></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 cash basis of accounting, these items are expensed in the year of purchase.

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

Schedule 5

Match Provided at the Partnership Level:

| | | |
|----------------------------|----|----------------------|
| Cash | \$ | 4,886 |
| In-Kind Goods and Services | | <u>28,544</u> |
| | \$ | <u><u>33,430</u></u> |

Match Provided at the Contractor Level:

| | | |
|----------------------------|----|-----------------------|
| Cash | \$ | 59,570 |
| In-Kind Goods and Services | | <u>64,760</u> |
| | \$ | <u><u>124,330</u></u> |

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2005-276, Section 10.64(c). The North Carolina Partnership for Children, Inc. and all local partnerships are required to match the total amount budgeted for the Smart Start Program in each fiscal year. The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.

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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
Hoke County Partnership for Children and Families
Raeford, North Carolina

We have audited the financial statements of the Hoke County Partnership for Children and Families (Hoke Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated February 1, 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 Hoke 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 Hoke Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hoke 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 Hoke 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 Hoke Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Hoke 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 Hoke 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 Hoke 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*.

We noted certain matters that we reported to management of the Hoke Partnership in a separate letter dated February 1, 2008.

This report is intended solely for the information and use of the Hoke Partnership's Board of Directors, management of the Hoke 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.

Garner, North Carolina
February 1, 2008

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