

**FINANCIAL STATEMENT AUDIT REPORT OF**

**ALAMANCE PARTNERSHIP FOR CHILDREN**

**BURLINGTON, NORTH CAROLINA**

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

**PERFORMED UNDER CONTRACT WITH THE  
OFFICE OF THE STATE AUDITOR**

**LESLIE W. MERRITT, JR., CPA, CFP  
STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF  
ALAMANCE PARTNERSHIP FOR CHILDREN**

**BURLINGTON, NORTH CAROLINA**

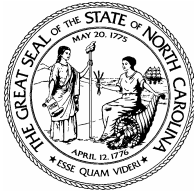
**FOR THE YEAR ENDED JUNE 30, 2007**

**BOARD OF DIRECTORS**

**LAWRENCE VELLANI, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**CYNTHIA D. WATKINS, EXECUTIVE DIRECTOR**



STATE OF NORTH CAROLINA  
Office of the State Auditor

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State Auditor

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**AUDITOR'S TRANSMITTAL**

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

This report presents the results of the financial statement audit of Alamance Partnership for Children for the year ended June 30, 2007. Foster & Dorr PC performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Alamance 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 Alamance Partnership for Children is one of these local partnerships. As such, the Alamance 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

# TABLE OF CONTENTS

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	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
FINANCIAL STATEMENTS	
EXHIBITS	
A    Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis .....	3
B    Statement of Functional Expenditures – Modified Cash Basis.....	4
Notes to the Financial Statements.....	5
SUPPLEMENTARY SCHEDULES	
1    Schedule of Contract and Grant Expenditures – Modified Cash Basis .....	12
2    Schedule of State Level Service Provider Contracts.....	13
3    Schedule of Federal and State Awards – Modified Cash Basis .....	14
4    Schedule of Property and Equipment – Modified Cash Basis .....	15
5    Schedule of Qualifying Match (Non-GAAP).....	16
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	17
ORDERING INFORMATION .....	19

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Alamance Partnership for Children  
Burlington, North Carolina

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007, on our consideration of the Alamance 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

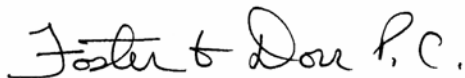
**Foster & Dorr P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT (CONCLUDED)**

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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 Alamance 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.



Certified Public Accountants

December 3, 2007

*Alamance County Partnership for Children*

*Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis*

*For the Year Ended June 30, 2007*

*Exhibit A*

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards	\$ 1,291,623	\$ 12,000	\$ 0	\$ 1,303,623
Federal Awards		55,440		55,440
Private Contributions		3,126	250	3,376
Interest and Investment Earnings		7,894		7,894
Sales Tax Refunds		4,832		4,832
Other Receipts		8,608		8,608
<b>Total Receipts</b>	<b>1,291,623</b>	<b>91,900</b>	<b>250</b>	<b>1,383,773</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	593,122	51,133		644,255
Family Support	189,688	8,250		197,938
Health and Safety	143,130	307		143,437
More at Four	49,950	-		49,950
Support:				
Management and General	216,405	14,036		230,441
Program Coordination	99,328	87		99,415
Program Evaluation		26		26
Other:				
Refund of Prior Year Grant		3,634		3,634
Sales Tax Paid		8,574		8,574
<b>Total Expenditures</b>	<b>1,291,623</b>	<b>86,047</b>	<b>0</b>	<b>1,377,670</b>
<b>Excess of Receipts Over Expenditures</b>		<b>5,853</b>	<b>250</b>	<b>6,103</b>
<b>Net Assets at Beginning of Year</b>		<b>32,067</b>		<b>32,067</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ 37,920</b>	<b>\$ 250</b>	<b>\$ 38,170</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 28,577	\$ 38,150	\$ 250	\$ 66,977
Less: Due to the State	27,116			27,116
Funds Held for Others	1,461	230		1,691
	<b>\$ 0</b>	<b>\$ 37,920</b>	<b>\$ 250</b>	<b>\$ 38,170</b>

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

***Alamance 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
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 593,122	\$ 295,908	\$ 14,970	\$ 27,992	\$ 45,077	\$ 10,766	\$ 14,505	\$ 174,816	\$ 9,088
Family Support	189,688	25,503	31,358	49,913	19,113	1,758	12,687	48,577	779
Health and Safety	143,130	48,032	1,137	1,673	3,497	1,143	1,456	86,192	
More at Four	49,950							49,950	
	<u>975,890</u>	<u>369,443</u>	<u>47,465</u>	<u>79,578</u>	<u>67,687</u>	<u>13,667</u>	<u>28,648</u>	<u>359,535</u>	<u>9,867</u>
<b>Support:</b>									
Management and General	216,405	155,782	27,096	3,952	16,383	6,510	6,682		
Program Coordination	99,328	60,562	31,124	331	6,240	1,032	39		
	<u>315,733</u>	<u>216,344</u>	<u>58,220</u>	<u>4,283</u>	<u>22,623</u>	<u>7,542</u>	<u>6,721</u>	<u>0</u>	<u>0</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 1,291,623</u>	<u>\$ 585,787</u>	<u>\$ 105,685</u>	<u>\$ 83,861</u>	<u>\$ 90,310</u>	<u>\$ 21,209</u>	<u>\$ 35,369</u>	<u>\$ 359,535</u>	<u>\$ 9,867</u>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 51,133	\$ 34,414	\$ 4,763	\$ 4,389	\$ 6,686	\$ 0	\$ 731	\$ 150	\$ 0
Family Support	8,250	1,493	620	470	2,033	159	1,531		1,944
Health and Safety	307				84		223		
	<u>59,690</u>	<u>35,907</u>	<u>5,383</u>	<u>4,859</u>	<u>8,803</u>	<u>159</u>	<u>2,485</u>	<u>150</u>	<u>1,944</u>
<b>Support:</b>									
Management and General	14,036	3,243	8,571	799	534	667	222		
Program Coordination	87				22		65		
Program Evaluation	26		26						
	<u>14,149</u>	<u>3,243</u>	<u>8,597</u>	<u>799</u>	<u>556</u>	<u>667</u>	<u>287</u>	<u>0</u>	<u>0</u>
<b>Other:</b>									
Refund of Prior Year Grant	3,634				3,634				
Sales Tax Paid	8,574			8,574					
	<u>12,208</u>	<u>0</u>	<u>0</u>	<u>8,574</u>	<u>3,634</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Funds Expenditures</b>	<u>\$ 86,047</u>	<u>\$ 39,150</u>	<u>\$ 13,980</u>	<u>\$ 14,232</u>	<u>\$ 12,993</u>	<u>\$ 826</u>	<u>\$ 2,772</u>	<u>\$ 150</u>	<u>\$ 1,944</u>

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



**ALAMANCE PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Alamance Partnership for Children (Alamance Partnership) is a legally separate organization incorporated on September 16, 1994. The Alamance Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Alamance 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 Alamance 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 Alamance 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)

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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. 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 Alamance Partnership acts in an agency capacity. For the year ended June 30, 2007, the Alamance Partnership was holding amounts withheld from employee paychecks for distribution to taxing authorities.
- G. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Alamance Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Alamance Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2007. Donated items are recorded at estimated fair market value at the date of donation.
- H. Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- I. **Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Alamance 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 Alamance Partnership are deposited with commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Alamance Partnership to a concentration of credit risk. At June 30, 2007, the Alamance Partnership's bank deposits in excess of the FDIC insured limit was \$168,031.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Alamance 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 Alamance 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 Alamance Partnership was awarded and received \$1,321,801 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Alamance Partnership has returned \$30,178 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**Child Care Services Association (CCSA)** - The Alamance Partnership also received funding from regional CCSA to be used for child care resources and referral activities. Funding is based on cost reimbursement for qualified expenditures. The Alamance Partnership was awarded \$49,680 and received \$36,351.

### NOTE 4 - RELATED PARTY TRANSACTIONS

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

### NOTE 5 - FUNCTIONAL EXPENDITURES

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

#### A. Program Functions

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

**Family Support** - Used to account for service activities including ongoing parenting education.

**Health and Safety** - Used to account for service activities including child care health consultants, and health services and support.

**More at Four** - Used to account for development and implementation of the More at Four pre-kindergarten program for at-risk four-year-olds who

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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are at risk of failure in kindergarten. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

### **B. Support Functions**

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

**Program 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), communication costs (telephone and printing) copier usage/maintenance and postage meter usage/lease costs, and were allocated based on utilization data or number of employees.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### NOTE 6 - 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	\$ 70,750
2009	57,266
2010	3,096
2011	3,096
2012	1,806
Total Minimum Lease Payments	<u>\$ 136,014</u>

Rental expense for all operating leases during the year was \$13,270.

### NOTE 7 - PENSION PLAN

- A. Retirement Plans** - The Alamance Partnership has a Simplified Employee Pension plan (SEP Plan) covering all employees. All employees of the Alamance Partnership, with two or more years of service, are provided an Individual Retirement Account through an outside insurance company. The Alamance Partnership contributed 5% of gross wages for the year ended June 30, 2007. The Alamance Partnership does not own the accounts nor is it liable for any other cost other than the required contribution. The Alamance Partnership contributed \$8,499 for pension benefits during the year.
- B. IRC Section 403(b) Plan** - All employees with two years of service can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. No costs were incurred by the Alamance Partnership.

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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### NOTE 8 - RISK MANAGEMENT

The Alamance 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 Alamance 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 Alamance 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 Alamance 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 \$15,196. No funds or reservation of net assets has been made for this commitment.

### NOTE 10 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2007, are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Imagination Library	<u>\$ 250</u>

**Alamance 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
<b>Paid to Organizations:</b>				
* Alamance Burlington School System	\$ 49,950	\$ 0	\$ 0	\$ 0
* Alamance County Health Department	86,192			
Alamance SCAN	48,577			
* Alamance Community College	19,060			
	<u>203,779</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Paid to Individuals:</b>				
Education bonus			150	
* Provider Benefits-Beginning Visions CDC	15,200			
Provider Benefits-Creative Childvare	5,758			
Provider Benefits-Emmanual Christian Preschool	12,306			
Provider Benefits-First Baptist Church CDC	9,920			
* Provider Benefits-First Presbyterian CDC	11,974			
Provider Benefits-Ingle Hill Day Care	2,570			
Provider Benefits-Wee Care	6,080			
Provider Benefits-Various child care centers	2,683			
Provider Benefits-Various individuals	89,265			
	<u>155,756</u>	<u>0</u>	<u>150</u>	<u>0</u>
	<u>\$ 359,535</u>	<u>\$ 0</u>	<u>\$ 150</u>	<u>\$ 0</u>

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



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

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
* Alamance County Department of Social Services	\$ 819,930
Child Care Services Association, Inc. - WAGE\$ Project	<u>436,800</u>
	<u>\$ 1,256,730</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.

**Alamance County Partnership for Children  
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
<b>Federal Awards:</b>				
US Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services-Division of Child Development				
Passed through the Child Care Services Association				
Child Care Resource and Referral (Prior Year)	93.575	6344-A-06	\$ 19,089	\$ 248
Child Care Resource and Referral (Current Year)	93.575	6344-A-07	<u>36,351</u>	<u>38,779</u>
<b>Total Federal Awards</b>			<u>55,440</u>	<u>39,027</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services				
Division of Child Development				
Pass-through from the North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program		*	1,291,623	1,291,623
Multi-County Accounting and Contracting Grant		N/A	<u>12,000</u>	<u>11,661</u>
<b>Total State Awards</b>			<u>1,303,623</u>	<u>1,303,284</u>
<b>Total Federal and State Awards</b>			<u>\$ 1,359,063</u>	<u>\$ 1,342,311</u>

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

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

***Schedule 4***

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Furniture and Noncomputer Equipment	\$ 41,677
Computer Equipment/Printers	<u>63,813</u>
Total Property and Equipment	<u><u>\$ 105,490</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 basis of accounting, these items are expensed in the year of purchase.

***Alamance 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	\$	12,651
In-Kind Goods and Services		<u>178,327</u>
	\$	<u><u>190,978</u></u>

***Match Provided at the Contractor Level:***

Cash	\$	<u><u>89,338</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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**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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Board of Directors  
Alamance Partnership for Children  
Burlington, North Carolina

We have audited the financial statements of the Alamance Partnership for Children (Alamance Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 3, 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 Alamance 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 Alamance Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alamance 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 Alamance 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 Alamance Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Alamance Partnership's internal control.

**Foster & Dorr P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Alamance 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 Alamance 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 Alamance Partnership's Board of Directors, management of the Alamance 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.



Certified Public Accountants

December 3, 2007

## ORDERING INFORMATION

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

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

Telephone: 919/807-7500

Facsimile: 919/807-7647