

**ALEXANDER COUNTY PARTNERSHIP
FOR CHILDREN
Taylorsville, 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**

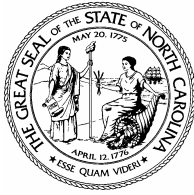
FINANCIAL STATEMENT AUDIT REPORT OF
ALEXANDER COUNTY PARTNERSHIP FOR CHILDREN
TAYLORSVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS

BETSY CURRY, BOARD CHAIR

ADMINISTRATIVE OFFICER

STEVE EATON, 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, Alexander County Partnership for Children

This report presents the results of the financial statement audit of the Alexander 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 Alexander 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 Alexander County Partnership for Children is one of these local partnerships. As such, the Alexander 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
Alexander County Partnership for Children
Taylorsville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Alexander County Partnership for Children (Alexander 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 Alexander 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 Alexander 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2008 on our consideration of the Alexander 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 an opinion on the financial statements that collectively comprise the Alexander 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 Gundersen LLP

Raleigh, North Carolina
January 31, 2008

Alexander 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		
Receipts:				
State Awards	\$ 547,593	\$ 168,716	\$ -	\$ 716,309
Federal Awards	-	28,009	-	28,009
Private Contributions	-	14,080	168	14,248
Special Fund Raising Events	-	371	-	371
Interest and Investment Earnings	-	53	-	53
Sales Tax Refunds	-	1,974	-	1,974
Total Receipts	547,593	213,203	168	760,964
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	7,169	(7,169)	-
	547,593	220,372	(7,001)	760,964
Expenditures:				
Programs:				
Child Care and Education Quality	280,667	32,653	-	313,320
Family Support	18,940	16,873	-	35,813
Health and Safety	102,116	1,500	-	103,616
More at Four	17,297	156,824	-	174,121
Support:				
Fund Raising	-	674	-	674
Management and General	116,638	12,465	-	129,103
Program Coordination	11,935	-	-	11,935
Other:				
Sales Tax Paid	-	2,726	-	2,726
Total Expenditures	547,593	223,715	-	771,308
Excess of Receipts Over Expenditures	-	(3,343)	(7,001)	(10,344)
Net Assets at Beginning of Year	-	667	8,146	8,813
Net Assets at End of Year	\$ -	\$ (2,676)	\$ 1,145	\$ (1,531)
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 13,419	\$ (2,676)	\$ 1,145	\$ 11,888
Refunds Due From Contractors	11,594	-	-	11,594
	25,013	(2,676)	1,145	23,482
Less: Due to the State	25,013	-	-	25,013
	\$ -	\$ (2,676)	\$ 1,145	\$ (1,531)

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

*Alexander County Partnership for Children
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 Quality	\$ 280,667	\$ 73,330	\$ 3,849	\$ 9,359	\$ 12,970	\$ 9,353	\$ 240	\$ 171,566
Family Support	18,940	-	10,000	-	-	-	-	8,940
Health and Safety	102,116	-	-	-	-	-	-	102,116
More at Four	17,297	-	-	-	-	-	-	17,297
	<u>419,020</u>	<u>73,330</u>	<u>13,849</u>	<u>9,359</u>	<u>12,970</u>	<u>9,353</u>	<u>240</u>	<u>299,919</u>
Support:								
Management and General	116,638	87,258	1,133	2,200	15,704	7,914	2,429	-
Program Coordination	11,935	8,867	-	316	1,499	244	1,009	-
	<u>128,573</u>	<u>96,125</u>	<u>1,133</u>	<u>2,516</u>	<u>17,203</u>	<u>8,158</u>	<u>3,438</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 547,593</u>	<u>\$ 169,455</u>	<u>\$ 14,982</u>	<u>\$ 11,875</u>	<u>\$ 30,173</u>	<u>\$ 17,511</u>	<u>\$ 3,678</u>	<u>\$ 299,919</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 32,653	\$ 20,871	\$ 1,024	\$ 3,108	\$ 5,333	\$ -	\$ -	\$ 2,317
Family Support	16,873	-	-	-	1,203	-	-	15,670
Health and Safety	1,500	-	-	-	-	-	-	1,500
More at Four	156,824	-	-	-	-	-	-	156,824
	<u>207,850</u>	<u>20,871</u>	<u>1,024</u>	<u>3,108</u>	<u>6,536</u>	<u>-</u>	<u>-</u>	<u>176,311</u>
Support:								
Fund Raising	674	-	-	-	174	500	-	-
Management and General	12,465	3,030	8,075	364	589	407	-	-
	<u>13,139</u>	<u>3,030</u>	<u>8,075</u>	<u>364</u>	<u>763</u>	<u>907</u>	<u>-</u>	<u>-</u>
Other:								
Sales Tax Paid	2,726	-	-	2,726	-	-	-	-
	<u>2,726</u>	<u>-</u>	<u>-</u>	<u>2,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 223,715</u>	<u>\$ 23,901</u>	<u>\$ 9,099</u>	<u>\$ 6,198</u>	<u>\$ 7,299</u>	<u>\$ 907</u>	<u>\$ -</u>	<u>\$ 176,311</u>

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Alexander County Partnership for Children (Alexander Partnership) is a legally separate nonprofit organization incorporated on July 28, 1994. The Alexander Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Alexander 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 Alexander 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 Alexander Partnership did not have 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 does not recognize the value of in-kind goods and services provided; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. Amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. In addition, Smart Start funds advanced to the local Partnership that are unexpended and unearned at year-end are recorded as a Due to the State.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

- 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 occurred. However, Alexander Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Alexander 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.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Alexander 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 Alexander Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Alexander Partnership to a concentration of credit risk. At June 30, 2007 there were no amounts on deposit subject to a concentration of credit risk.

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

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Alexander 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 Alexander 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 Alexander Partnership was awarded and has received \$572,606 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Alexander Partnership has returned \$25,013 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

More at Four - The Alexander Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Alexander Partnership was awarded \$156,716 under a current year contract. The Alexander 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 Alexander Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Alexander Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Alexander 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 Alexander 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, child care resource and referral services, professional development, salary supplements, and provider training.

Family Support - Used to account for service activities including teen parent/child programs and ongoing parenting education.

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

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

Fund Raising - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

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.

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

NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

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

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	\$ 8,642
2009	5,442
2010	<u>1,360</u>
Total Minimum Lease Payments	<u>\$ 15,444</u>

Rental expense for all operating leases during the year was \$15,042.

The partnership subleases a portion of its office space under a lease agreement expiring October 31, 2007 with minimum monthly rental income of \$150.

NOTE 7 - PENSION PLAN

IRC Sections 403(b)(7) Plans - All permanent employees who are at least half-time can participate in tax sheltered annuity plans (Plans) created under Internal Revenue Code Sections 403(b)(7). 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.

NOTE 8 - RISK MANAGEMENT

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

Alexander County Partnership for Children
Notes to 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 Alexander 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 Alexander 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 \$9,132. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

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

<u>Purpose</u>	<u>Amount</u>
Teen Parent/Child Program	\$ 888
More at Four Classrooms	89
Transportation Services	168
	<u>\$ 1,145</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>
Teen Parent/Child Program	\$ 6,296
Health/Safety – Car Seat Program	765
More at Four Classrooms	108
	<u>\$ 7,169</u>

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

NOTE 11 - DEFICIT IN NET ASSETS

The Alexander Partnership had a deficit in unrestricted net assets of \$2,676 as of June 30, 2007 which also resulted in a deficit of \$1,531 in total net assets. As stated in Note 1C, the Alexander Partnership uses the modified cash basis of accounting where revenues are recognized when received rather than when earned. At June 30, 2007, the Alexander Partnership had not yet been reimbursed for May 2007 and June 2007 expenditures under a Federal award passed through the North Carolina Department of Health and Human Services – Division of Child Development. These reimbursements totaling \$7,395 were received in August 2007.

***Alexander 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>				
Alexander County Board of Education*	\$ 7,207	\$ -	\$ 69,020	\$ -
Alexander County Department of Social Services*	10,520	1,581	5,000	-
Alexander County Health Department*	108,170	6,053	-	-
Car Seats - Various Individuals	-	-	12,078	-
Catawba Valley Community College*	59,240	3,960	-	-
CCR&R - appreciation items, transition kits, community event	44,328	-	322	-
First Baptist Church of Taylorsville*	3,203	-	27,608	-
Mitchell Gold + Bob Williams	6,887	-	60,088	-
More at Four Facilities*	-	-	108	-
Professional Development Supplements - Various Individuals	67,000	-	1,800	-
Teen Mom Program - parent support items	-	-	93	-
QE Grant - Various Child Care Facilities	4,478	-	194	-
	<u>311,033</u>	<u>11,594</u>	<u>176,311</u>	<u>-</u>
<i>Paid to Individuals:</i>				
Bonnie Canter*	480	-	-	-
	<u>480</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 311,513</u>	<u>\$ 11,594</u>	<u>\$ 176,311</u>	<u>\$ -</u>

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

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

Schedule 2

Organization Name	DHHS Contracts
Alexander County Department of Social Services*	\$ 243,300

* This organization is represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.

**Alexander 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
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:				
Child Care and Development Block Grant	93.575	DCD-0506-1	\$ 6,130	\$ -
Child Care and Development Block Grant	93.575	312-ALX	21,879	29,274
Total Federal Awards			<u>28,009</u>	<u>29,274</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	547,593	547,593
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
North Carolina Department of Public Instruction, Office of				
School Readiness:				
More at Four Pre-Kindergarten Program *		#0002-07	156,716	156,716
Total State Awards			<u>716,309</u>	<u>716,309</u>
Total Federal and State Awards			<u>\$ 744,318</u>	<u>\$ 745,583</u>

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

*Alexander 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	\$	15,230
Computer Equipment/Printers		<u>14,622</u>
Total Property and Equipment	\$	<u><u>29,852</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.

*Alexander 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	\$ 11,163
In-Kind Goods and Services	<u>9,471</u>
	<u>\$ 20,634</u>

Match Provided at the Contractor Level:

Cash	\$ 70,129
In-Kind Goods and Services	<u>-</u>
	<u>\$ 70,129</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
Alexander County Partnership for Children
Taylorsville, North Carolina

We have audited the financial statements of the Alexander County Partnership for Children (Alexander Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated January 31, 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 Alexander 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 Alexander Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alexander 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 Alexander 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 Alexander Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Alexander Partnership's internal control.

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 Alexander 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)**

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 Alexander 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 Alexander Partnership's Board of Directors, management of the Alexander 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 Gunderson LLP

Raleigh, North Carolina
January 31, 2008

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