

FINANCIAL STATEMENT AUDIT REPORT OF

**FRANKLIN-GRANVILLE-VANCE
PARTNERSHIP FOR CHILDREN, INC.**

HENDERSON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2007

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

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

FINANCIAL STATEMENT AUDIT REPORT OF
FRANKLIN-GRANVILLE-VANCE PARTNERSHIP FOR CHILDREN, INC.
HENDERSON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS
BEVERLY JOSEPH, CHAIR

ADMINISTRATIVE OFFICER
CAROLYN MALONE-PAYLOR, EXECUTIVE DIRECTOR



STATE OF NORTH CAROLINA
Office of the State Auditor

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

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Directors, Franklin-Granville-Vance Partnership for Children, Inc.

This report presents the results of the financial statement audit of Franklin-Granville-Vance Partnership for Children, Inc., for the year ended June 30, 2007. Winston, Williams, Creech, Evans & Company, LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Franklin-Granville-Vance Partnership for Children, Inc. 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 Franklin-Granville-Vance Partnership for Children, Inc. is one of these local partnerships. As such, the Franklin-Granville-Vance Partnership for Children, Inc. is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 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

	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.....	13
2 Schedule of State Level Service Provider Contracts.....	14
3 Schedule of Federal and State Awards – Modified Cash Basis	15
4 Schedule of Property and Equipment – Modified Cash Basis.....	16
5 Schedule of Qualifying Match (Non-GAAP)	17
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>	19
ORDERING INFORMATION	21

Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



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James P. Winston II, CPA
Gary L. Williams, CPA
Leonard R. Creech, Jr. CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Franklin-Granville-Vance Partnership for Children, Inc.
Henderson, North Carolina

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

102 W. Spring Street P.O. Box 1366 Oxford, NC 27565 (919) 693-5196 fax (919) 693-7614

www.wwcecpa.com



INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards* we have also issued a report dated November 15, 2007, on our consideration of the FGV Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Franklin-Granville-Vance Partnership for Children, Inc.'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.

Winston, Williams, Creech, Evans and Company, LLP

Winston, Williams, Creech, Evans and Company, LLP
Certified Public Accountants

November 15, 2007

Franklin-Granville-Vance Partnership for Children, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2007

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards	\$ 1,827,356	\$ 158,274	\$ 0	\$ 1,985,630
Federal Awards		154,404		154,404
Private Contributions		7,621	1,785	9,406
Sales Tax Refunds		10,320		10,320
Other Receipts		24,593		24,593
Total Receipts	1,827,356	355,212	1,785	2,184,353
Net Assets Released From Restrictions:				
Satisfaction of Program Restrictions		9,762	(9,762)	0
	1,827,356	364,974	(7,977)	2,184,353
Expenditures:				
Programs:				
Child Care and Education Affordability		12,608		12,608
Child Care and Education Quality	635,079	59,284		694,363
Family Support	475,259	111,916		587,175
Health and Safety	111,558			111,558
More at Four	143,350	122,257		265,607
Support:				
Management and General	287,458	39,464		326,922
Program Coordination	174,652			174,652
Other:				
Refund of Prior Year Grant		10,671		10,671
Sales Tax Paid		9,859		9,859
Total Expenditures	1,827,356	366,059	0	2,193,415
Excess of Receipts Over Expenditures	0	(1,085)	(7,977)	(9,062)
Net Assets at Beginning of Year		29,311	14,326	43,637
Net Assets at End of Year	0	28,226	6,349	34,575
Net Assets Consisted of:				
Cash and Cash Equivalents	56,696	28,226	6,349	91,271
Refunds Due from Contractors	1,060			1,060
	57,756	28,226	6,349	92,331
Less: Due to the State	(57,756)			(57,756)
	\$ 0	\$ 28,226	\$ 6,349	\$ 34,575

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

Franklin-Granville-Vance Partnership for Children, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2007

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants	Participant Training Expenditures
Smart Start Fund:									
Programs:									
Child Care and Education Quality	\$ 635,079	\$ 328,399	\$ 20	\$ 15,315	\$ 56,304	\$ 20,051	\$ 19,530	\$ 195,460	\$ 0
Family Support	475,259	119,293	26,693	21,178	35,911	3,163	2,876	266,145	
Health and Safety	111,558							111,558	
More at Four	143,350							143,350	
	<u>1,365,246</u>	<u>447,692</u>	<u>26,713</u>	<u>36,493</u>	<u>92,215</u>	<u>23,214</u>	<u>22,406</u>	<u>716,513</u>	<u>0</u>
Support:									
Management and General	287,458	212,510	12,938	4,782	27,466	23,229	6,533		
Program Coordination	174,652	139,578	3,070	6,605	10,225	6,335	2,562		6,277
	<u>462,110</u>	<u>352,088</u>	<u>16,008</u>	<u>11,387</u>	<u>37,691</u>	<u>29,564</u>	<u>9,095</u>	<u>0</u>	<u>6,277</u>
Total Smart Start Fund Expenditures	\$ 1,827,356	\$ 799,780	\$ 42,721	\$ 47,880	\$ 129,906	\$ 52,778	\$ 31,501	\$ 716,513	\$ 6,277
Other Funds:									
Programs:									
Child Care and Education Affordability	\$ 12,608	\$ 0	\$ 0	\$ 12,608	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Child Care and Education Quality	59,284	43,230	906	3,261	6,506			4,378	1,003
Family Support	111,916	80,866	6,338	5,110	14,006	3,743	1,253		600
More at Four	122,257							122,257	
	<u>306,065</u>	<u>124,096</u>	<u>7,244</u>	<u>20,979</u>	<u>20,512</u>	<u>3,743</u>	<u>1,253</u>	<u>126,635</u>	<u>1,603</u>
Support:									
Management and General	39,464	19,552	16,495	234	2,101	1,082			
	<u>39,464</u>	<u>19,552</u>	<u>16,495</u>	<u>234</u>	<u>2,101</u>	<u>1,082</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other:									
Refund of Prior Year Grant	10,671					10,671			
Sales Tax Paid	9,859			9,859					
	<u>20,530</u>	<u>0</u>	<u>0</u>	<u>9,859</u>	<u>0</u>	<u>10,671</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Funds Expenditures	\$ 366,059	\$ 143,648	\$ 23,739	\$ 31,072	\$ 22,613	\$ 15,496	\$ 1,253	\$ 126,635	\$ 1,603

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

FRANKLIN-GRANVILLE-VANCE PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Franklin-Granville-Vance Partnership for Children (FGV Partnership) is a legally separate nonprofit organization incorporated on March 21, 1997. The FGV Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The FGV 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 FGV 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 Franklin-Granville-Vance Partnership for Children, Inc. did not have any permanently restricted net assets at June 30, 2007.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. In addition, 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. 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, FGV Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The FGV 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)

- I. Use of Estimates** - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the FGV 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 FGV 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 FGV Partnership to a concentration of credit risk. At June 30, 2007, the FGV Partnership's bank deposits in excess of the FDIC insured limit was \$214,547.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the FGV 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 FGV 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 FGV Partnership was awarded and has received \$1,885,112 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The FGV Partnership has returned \$57,756 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

More at Four - The FGV Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The FGV Partnership was awarded \$125,928 and received \$122,274 under a current year cost-reimbursement contract. The FGV Partnership expects to receive continued funding through new More at Four contracts with the State.

Temporary Assistance for Needy Families Program - The FGV Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with the Division of Health and Human Services for the Adolescent Parenting Prevention Program (APP3).

The FGV Partnership was awarded \$67,451 and has received \$60,070 under a current year APP3 contract. The unexpended balance of this contract is subject to reversion to the State. The FGV Partnership has expended all of the funds received for this contract.

Child Care Resource and Referral Program - The FGV Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with Child Care Services Association (CCSA) for the Child Care Resource and Referral Program (CCR&R).

The FGV Partnership was awarded and has received \$50,159 under a current year CCR&R contract. The unexpended balance of this contract is subject to reversion to the State. The FGV Partnership has returned \$6 of this contract to the State based on financial status reports submitted to CCSA subsequent to June 30, 2007.

Medical Assistance Program - The FGV Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with the Division of Health and Human Services for the Adolescent Parenting Program (APP).

The FGV Partnership was awarded \$47,980 and has received \$44,175 under a current year APP contract. The FGV Partnership has expended this contract in its entirety. The balance of this contract is due from the State of North Carolina to the Partnership for the fiscal year ending June 30, 2007.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements.

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 Affordability - Used to account for service activities associated with pre-K classes.

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, quality enhancement grants for quality maintenance, child care resource and referral, professional development of child care providers, and provider training.

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

Health and Safety - Used to account for service activities associated with prenatal/newborn services.

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

B. Support Functions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

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

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	\$ 33,352
2009	33,352
2010	15,284
2011	1,596
2012	599
Total Minimum Lease Payments	<u>\$ 84,183</u>

Rental expense for all operating leases during the year was \$36,473.

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans - IRC Sections 403(b) and 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) and 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. No costs are incurred by the Franklin-Granville-Vance Partnership.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - RISK MANAGEMENT

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

- A. Compensated Absences** - As a result of the FGV 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 \$24,289. No funds or reservation of net assets has been made for this commitment.
- B. Commitments on Contracts** - The FGV Partnership had outstanding commitments of \$12,000 on contract that had not been paid at June 30, 2007.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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:

Purpose	Amount
Dolly Parton Imagination Library	\$ 1,320
Bank of America & RBC Distance Learning	1,292
NCIMED Financial Literacy	1,010
United Way	2,263
Provider Banquet	464
	<u>\$ 6,349</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:

Purpose	Amount
Dolly Parton Imagination Library	\$ 7,725
NCIMED Financial Literacy	300
United Way	1,737
	<u>\$ 9,762</u>

Franklin-Granville-Vance Partnership for Children, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2007

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<i>Paid to Organizations:</i>				
Centerville Learning Center	\$ 64,250	\$ 0	\$ 113,274	\$ 0
Children's Ark Creative Learning Center			8,983	
Granville County Schools	* 263,917			
Maria Parham Medical Center	112,514	956		
Methodist Home for Children	26,278	104		
Vance County Schools	* 26,600			
Vance County Cooperative Extension	54,728			
	<u>\$ 548,287</u>	<u>\$ 1,060</u>	<u>\$ 122,257</u>	<u>\$ 0</u>
<i>Individuals for the purpose of:</i>				
Child Care and Education Quality Bonuses	\$ 137,000	\$	\$	\$
Child Care Quality Enhancement	28,786		3,596	
Educational Stipends	3,500		782	
	<u>\$ 169,286</u>	<u>\$ 0</u>	<u>\$ 4,378</u>	<u>\$ 0</u>
	<u>\$ 717,573</u>	<u>\$ 1,060</u>	<u>\$ 126,635</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.

***Franklin-Granville-Vance Partnership for Children, Inc.
 Schedule of a State Level Service Provider Contracts
 For the Year Ended June 30, 2007***

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$ Program	\$ 342,623
Department of Social Services of Franklin, Granville, Vance Counties	* 1,086,434
	<u>\$ 1,429,057</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.

Franklin-Granville-Vance Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2007

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
US Department of Health and Human Services Center for Medicare and Medicaid Services Pass-through from the North Carolina Department of Health and Human Services - Division of Public Health Pass-through from Child Care Services Association Medical Assistance Program (Medicaid)	93.778	01-603-07	\$ 44,175	\$ 47,907
US Department of Health and Human Services Administration for Children and Families Pass-through from the North Carolina Department of Health and Human Services - Division of Public Health Temporary Assistance for Needy Families (TANF)	93.558	01609-07	60,070	60,070
US Department of Health and Human Services Administration for Children and Families Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development Pass-through from Child Care Services Association Child Care and Development Fund (CCDF)	93.575	6344-FGV-07	50,159	49,789
Total Federal Awards			<u>154,404</u>	<u>157,766</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 Multi-County Accounting and Contracting Grant	N/A	*	N/A	1,827,356 36,000
North Carolina Department of Public Instruction Pass-through from the Office of School Readiness More at Four Pre-Kindergarten Program	N/A	N/A	122,274	122,257
North Carolina Department of Health and Human Services Division of Mental Health Pass-through from the Five County Mental Health Authority	N/A	N/A		1,676
Total State Awards			<u>1,985,630</u>	<u>1,987,289</u>
Total Federal and State Awards			<u>\$ 2,140,034</u>	<u>\$ 2,145,055</u>

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

Notes to the Schedule of Federal and State Awards - Modified Cash Basis

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

Franklin-Granville-Vance Partnership for Children, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2007

Schedule 4

Furniture and Noncomputer Equipment	\$	17,974
Computer Equipment/Printers		98,073
Motor Vehicles		<u>14,945</u>
Total Property and Equipment	\$	<u><u>130,992</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.

Franklin-Granville-Vance Partnership for Children, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2007

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	11,483
In-Kind Goods and Services		<u>60,482</u>
	\$	<u><u>71,965</u></u>

Match Provided at the Contractor Level:

Cash	\$	249,831
In-Kind Goods and Services		<u>77,812</u>
	\$	<u><u>327,643</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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Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



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James P. Winston II, CPA
Gary L. Williams, CPA
Leonard R. Creech, Jr. CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA

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
Franklin-Granville-Vance Partnership for Children, Inc.
Henderson, North Carolina

We have audited the financial statements of the Franklin-Granville-Vance Partnership for Children, Inc. as of and for the year ended June 30, 2007, and have issued our report thereon dated November 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Franklin-Granville-Vance Partnership for Children, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Franklin-Granville-Vance Partnership for Children, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Franklin-Granville-Vance Partnership for Children, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or the 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

102 W. Spring Street P.O. Box 1366 Oxford, NC 27565 (919) 693-5196 fax (919) 693-7614

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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 (CONCLUDED)**

deficiency, or combination of control deficiencies, that adversely affects the Franklin-Granville-Vance Partnership for Children, Inc.'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 Franklin-Granville-Vance Partnership for Children, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by the Franklin-Granville-Vance Partnership for Children, Inc.'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 statement will not be prevented or detected by the Franklin-Granville-Vance Partnership for Children, Inc.'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 Franklin-Granville-Vance Partnership for Children, Inc.'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 Franklin-Granville-Vance Partnership for Children, Inc. in a separate letter dated November 15, 2007.

This report is intended solely for the information and use of the Board of Directors, management of the Franklin-Granville-Vance Partnership for Children, Inc., The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be and should not be used by anyone other than these specified parties.

Winston, Williams, Creech, Evans and Company, LLP

Winston, Williams, Creech, Evans and Company, LLP
Certified Public Accountants

November 15, 2007

ORDERING INFORMATION

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

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