

THE MITCHELL-YANCEY COUNTY  
PARTNERSHIP FOR CHILDREN, INC.  
Burnsville, North Carolina

FINANCIAL STATEMENTS  
June 30, 2007

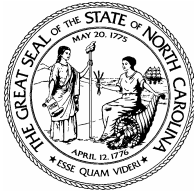
**PERFORMED UNDER CONTRACT WITH THE  
OFFICE OF THE STATE AUDITOR**

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

**FINANCIAL STATEMENT AUDIT REPORT OF**  
**THE MITCHELL-YANCEY COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**BURNSVILLE, NORTH CAROLINA**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**BOARD OF DIRECTORS**  
**NEIL BROWN, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**  
**JENNIFER SIMPSON, EXECUTIVE DIRECTOR**



STATE OF NORTH CAROLINA  
Office of the 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, The Mitchell-Yancey County Partnership for Children, Inc.

This report presents the results of the financial statement audit of The Mitchell-Yancey County Partnership for Children, Inc. 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 Mitchell-Yancey County Partnership for Children, Inc. was made in conjunction with the Early Childhood Initiatives 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 Mitchell-Yancey County Partnership for Children, Inc. is one of these local partnerships. As such, The Mitchell-Yancey County Partnership for Children, Inc. 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

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Board of Directors  
The Mitchell-Yancey County Partnership for Children, Inc.  
Burnsville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of The Mitchell-Yancey County Partnership for Children, Inc. 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 Smart Start 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 Mitchell-Yancey County 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008, on our consideration of the Smart Start 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)

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Mitchell-Yancey County 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.

*Clifton Gunderson LLP*

Raleigh, North Carolina  
March 31, 2008

***The Mitchell-Yancey County 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		
<b>Receipts:</b>				
State Awards	\$ 400,185	\$ 26,826	\$ -	\$ 427,011
Federal Awards	-	13,626	-	13,626
Private Contributions	-	5,298	52,619	57,917
Special Fund Raising Events	-	2,093	292	2,385
Sales Tax Refunds	-	1,946	-	1,946
Other Receipts	-	1,485	-	1,485
<b>Total Receipts</b>	<b>400,185</b>	<b>51,274</b>	<b>52,911</b>	<b>504,370</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	38,716	(38,716)	-
	<b>400,185</b>	<b>89,990</b>	<b>14,195</b>	<b>504,370</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	5,600	-	-	5,600
Child Care and Education Quality	150,408	22,615	-	173,023
Family Support	39,238	22,813	-	62,051
Health and Safety	34,451	16,159	-	50,610
Support:				
Management and General	142,651	25,856	-	168,507
Program Coordination	27,837	-	-	27,837
Other:				
Refund of Prior Year Grant	-	58	-	58
Sales Tax Paid	-	2,458	-	2,458
<b>Total Expenditures</b>	<b>400,185</b>	<b>89,959</b>	<b>-</b>	<b>490,144</b>
<b>Excess of Receipts Over Expenditures</b>	<b>-</b>	<b>31</b>	<b>14,195</b>	<b>14,226</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>8,462</b>	<b>50,482</b>	<b>58,944</b>
<b>Net Assets at End of Year</b>	<b>\$ -</b>	<b>\$ 8,493</b>	<b>\$ 64,677</b>	<b>\$ 73,170</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 396	\$ 9,166	\$ 64,677	\$ 74,239
Refunds Due From Contractors	473	-	-	473
	869	9,166	64,677	74,712
Less: Due to the State	869	-	-	869
Funds Held for Others	-	673	-	673
	<b>\$ -</b>	<b>\$ 8,493</b>	<b>\$ 64,677</b>	<b>\$ 73,170</b>

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

*The Mitchell-Yancey County Partnership for Children, Inc.*  
*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>	<u>Participant Training Expenditures</u>
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Affordability	\$ 5,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,600	\$ -
Child Care and Education Quality	150,408	81,226	-	6,713	7,213	280	2,386	52,090	500
Family Support	39,238	-	-	-	-	-	-	39,238	-
Health and Safety	34,451	-	-	-	-	-	-	34,451	-
	<u>229,697</u>	<u>81,226</u>	<u>-</u>	<u>6,713</u>	<u>7,213</u>	<u>280</u>	<u>2,386</u>	<u>131,379</u>	<u>500</u>
<b>Support:</b>									
Management and General	142,651	93,538	5,406	4,750	18,463	19,292	1,202	-	-
Program Coordination	27,837	25,897	-	242	1,263	179	256	-	-
	<u>170,488</u>	<u>119,435</u>	<u>5,406</u>	<u>4,992</u>	<u>19,726</u>	<u>19,471</u>	<u>1,458</u>	<u>-</u>	<u>-</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 400,185</u>	<u>\$ 200,661</u>	<u>\$ 5,406</u>	<u>\$ 11,705</u>	<u>\$ 26,939</u>	<u>\$ 19,751</u>	<u>\$ 3,844</u>	<u>\$ 131,379</u>	<u>\$ 500</u>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 22,615	\$ 13,626	\$ 50	\$ 2,323	\$ 1,182	\$ 81	\$ 80	\$ 4,893	\$ 380
Family Support	22,813	-	-	1,341	1,330	-	-	20,142	-
Health and Safety	16,159	-	13,709	241	259	-	-	1,950	-
	<u>61,587</u>	<u>13,626</u>	<u>13,759</u>	<u>3,905</u>	<u>2,771</u>	<u>81</u>	<u>80</u>	<u>26,985</u>	<u>380</u>
<b>Support:</b>									
Management and General	25,856	3,217	18,593	54	1,420	1,317	1,255	-	-
	<u>25,856</u>	<u>3,217</u>	<u>18,593</u>	<u>54</u>	<u>1,420</u>	<u>1,317</u>	<u>1,255</u>	<u>-</u>	<u>-</u>
<b>Other:</b>									
Refund of Prior Year Grant	58	-	-	-	-	58	-	-	-
Sales Tax Paid	2,458	-	-	2,458	-	-	-	-	-
	<u>2,516</u>	<u>-</u>	<u>-</u>	<u>2,458</u>	<u>-</u>	<u>58</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Funds Expenditures</b>	<u>\$ 89,959</u>	<u>\$ 16,843</u>	<u>\$ 32,352</u>	<u>\$ 6,417</u>	<u>\$ 4,191</u>	<u>\$ 1,456</u>	<u>\$ 1,335</u>	<u>\$ 26,985</u>	<u>\$ 380</u>

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



*The Mitchell-Yancey County Partnership for Children, Inc.*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** – The Mitchell-Yancey County Partnership for Children, Inc. (M-YCPFC) is a legally separate nonprofit organization incorporated on April 18, 1995. The M-YCPFC was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The M-YCPFC 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 M-YCPFC 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 M-YCPFC 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 does not recognize the value of in-kind goods and services received; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

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.

*The Mitchell-Yancey County Partnership for Children, Inc.*  
*Notes to Financial Statements*  
*June 30, 2007*

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**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. (NCPFC) to be returned to the State of North Carolina.
- G. Funds Held For Others** – Funds held for others includes amounts received that are fiduciary in nature in which the M-YCPFC acts in an agency capacity. The M-YCPFC acts as fiscal agent for the Yancey and Mitchell Counties Interagency Coordinating Council and the Yancey and Mitchell Counties Dollywood Foundation Imagination Libraries.
- H. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, M-YCPFC is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The M-YCPFC 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.
- I. 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.
- J. Use of Estimates** – The preparation of financial statements in conformity with the modified cash basis of accounting used by the M-YCPFC 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.

*The Mitchell-Yancey County Partnership for Children, Inc.*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 2 - DEPOSITS**

All funds of the M-YCPFC are deposited with Wachovia Bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the M-YCPFC to a concentration of credit risk. At June 30, 2007 the M-YCPFC had uninsured cash balances of \$16,914.

**NOTE 3 - FUNDING FROM GRANT AWARDS**

**Smart Start Program** – The M-YCPFC’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 M-YCPFC and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the M-YCPFC 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 M-YCPFC. 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 M-YCPFC was awarded and received \$400,185 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State.

The M-YCPFC expects to receive continued funding through new Smart Start contracts with the State.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

**Service Provider Contracts with Board Member Organizations** – The board members of the M-YCPFC are representative of various organizations that benefit from actions taken by the Board. It is the policy of the M-YCPFC that board members not be involved with decisions regarding organizations they represent. During the year, the M-YCPFC 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 M-YCPFC 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 Affordability** – Used to account for service activities child care cost which supports the Division of Child Development (DCD), child care transportation, part-day care programs, and child care subsidy administration outside of DCD.

**Child Care and Education Quality** – Used to account for service activities including quality enhancement grants for upgrades, quality enhancement grants to maintain quality, child care resource and referral, professional development, child care substitutes, salary supplements, provider training, health/safety training for child care professionals, special needs-support for child care professionals, child care data – workforce studies, learning materials and teaching aids, curriculum enhancements, child care needs and resources assessments, and kindergarten orientation/transition.

**Family Support** – Used to account for service activities including family resource centers, parenting skills training, teen parent/child programs, ongoing parenting education, general family support, family crisis intervention, literacy projects, family literacy projects, transportation services, community outreach information and resources, or family support needs and resources assessments.

**Health and Safety** – Used to account for service activities including speech and hearing screenings, vision screenings, prenatal/newborn services, child abuse and neglect intervention, transportation to health services, health needs and resources assessment, and developmental screenings.

**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.

*The Mitchell-Yancey County Partnership for Children, Inc.*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)**

**B. Support Functions** (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 postage were directly allocated based on utilization data when applicable.

**NOTE 6 - OPERATION 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	\$ 8,415
2009	2,340
2010	2,340
2011	<u>1,704</u>
<b>Total Minimum Lease Payments</b>	<b>\$ <u>14,799</u></b>

Rental expense for all operating leases during the year was \$3,246.

**NOTE 7 - PENSION PLAN**

**IRC Section 403(b) Plan** – All permanent employees who are at least three-quarter can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the M-YCPFC, as a condition of employment, is provided an individual annuity through an outside insurance company. The M-YCPFC contributed 5% of gross wages for the year ended June 30, 2007. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The M-YCPFC contributed \$7,607 for retirement benefits during the year.

*The Mitchell-Yancey County Partnership for Children, Inc.*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 8 - RISK MANAGEMENT**

The M-YCPFC 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 M-YCPFC 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 M-YCPFC. 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 M-YCPFC use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2007, is \$2,726. 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>
Child Care Resource and Referral	\$ 1,107
Literacy Programs	52,778
Health Screenings	<u>10,792</u>
<b>Total</b>	<b><u>\$ 64,677</u></b>

*The Mitchell-Yancey County Partnership for Children, Inc.*  
*Notes to Financial Statements*  
*June 30, 2007*

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**NOTE 10 - RESTRICTIONS ON NET ASSETS (CONTINUED)**

**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>
Health Screenings	\$ 16,217
Child Care Resource and Referral	499
Literacy Programs	10,033
Parenting Adventures	7,074
Q/E Enhancement	<u>4,893</u>
<b>Total</b>	<b><u>\$ 38,716</u></b>

***The Mitchell-Yancey County Partnership for Children, Inc.***  
***Schedule of Contract and Grant Expenditures – Modified Cash Basis***  
***For the Year Ended June 30, 2007***

***Schedule 1***

<b>Organization Name</b>	<b>Smart Start Fund</b>		<b>Other Funds</b>	
	<b>Amount Advanced</b>	<b>Refund Due</b>	<b>Amount Advanced</b>	<b>Refund Due</b>
<b><i>Paid to Organizations:</i></b>				
Appalachian State University	\$ 9,004	\$ -	\$ -	\$ -
Blue Cross/ Blue Shield Kids on Move	-	-	4,893	-
Dollywood Foundation- Mitchell County	-	-	7,544	-
Dollywood Foundation- Yancey County	-	-	4,325	-
Mayland Community College*	8,045	-	-	-
Mitchell Cooperative Extension*	12,321	454	7,074	-
Mitchell County Transportation	11,730	-	-	-
Partnership Discretionary	-	-	1,199	-
Quality Enhancement (Internal)	16,587	19	-	-
South Toe Preschool	5,600	-	-	-
Summertime Kids Grant	-	-	1,950	-
Toe River Arts Council*	27,476	-	-	-
Toe River Health District*	25,447	-	-	-
Yancey County Transportation	15,642	-	-	-
<b>Total</b>	<b>\$ 131,852</b>	<b>\$ 473</b>	<b>\$ 26,985</b>	<b>\$ -</b>

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



***The Mitchell-Yancey County Partnership for Children, Inc.  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2007***

***Schedule 2***

<u>Organization Name</u>	<u>DHHS Contracts</u>
Mitchell County Department of Social Services*	\$ 139,354
Yancey County Department of Social Services*	24,700
WAGES*	<u>47,562</u>
<b>Total</b>	<b><u>\$ 211,616</u></b>

\* 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.

***The Mitchell-Yancey County Partnership for Children, Inc.  
Schedule of Federal and State Awards – Modified Cash Basis  
For the Year Ended June 30, 2007***

***Schedule 3***

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
<b>Federal Awards:</b>				
US Department of Health and Human Resource				
Pass-through from the North Carolina Department of				
Health and Human Services - Division of Child Development				
Child Care Connections, Inc. of Burke County, Inc.				
Child Care Resource and Referral	93.575	DCD 11-2-06	\$ 13,626	\$ 13,626
<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*			400,185	400,185
Multi-County Accounting and Contracting Grant			24,000	24,000
North Carolina Division of Public Instruction				
North Carolina Children's Trust Fund			2,826	2,826
<b>Total State Awards</b>			<u>427,011</u>	<u>427,011</u>
 <b>Total Federal and State Awards</b>			<u>\$ 440,637</u>	<u>\$ 440,637</u>

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

*The Mitchell-Yancey County Partnership for Children, Inc.  
Schedule of Property and Equipment – Modified Cash Basis  
For the Year Ended June 30, 2007*

*Schedule 4*

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Furniture and Equipment	\$	15,153
Data Processing		22,900
Leasehold Improvements		<u>984</u>
<b>Total Property and Equipment</b>	<b>\$</b>	<b><u><u>39,037</u></u></b>

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.

*The Mitchell-Yancey County 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	\$ 61,437
In-Kind Goods and Services	<u>25,947</u>
<b>Total</b>	<b><u><u>\$ 87,384</u></u></b>

**Match Provided at the Contractor Level:**

Cash	\$ 30,395
In-Kind Goods and Services	<u>-</u>
<b>Total</b>	<b><u><u>\$ 30,395</u></u></b>

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**

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Board of Directors  
The Mitchell-Yancey County Partnership for Children, Inc.  
Burnsville, North Carolina

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

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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 M-YCPFC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the M-YCPFC in a separate letter dated March 31, 2008.

This report is intended solely for the information and use of the M-YCPFC's Board of Directors, management of the M-YCPFC, 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  
March 31, 2008

## 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