THE PARTNERSHIP FOR CHILDREN OF WAYNE COUNTY, INC.
Goldsboro, 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 PARTNERSHIP FOR CHILDREN OF WAYNE COUNTY, INC.

GOLDSBORO, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS

BETTY SLOWINSKI, BOARD CHAIR

ADMINISTRATIVE OFFICER

DON MAGOON, EXECUTIVE DIRECTOR

STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of The Partnership for Children of Wayne County, 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 Partnership for Children of Wayne County, 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 Partnership for Children of Wayne County, Inc. is one of these local partnerships. As such, the Partnership for Children of Wayne County, 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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Clifton Gunderson LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Partnership for Children of Wayne County, Inc.
Goldsboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Partnership for Children of Wayne County, Inc. (Wayne 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 Wayne 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 Partnership for Children of Wayne County, 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 November 30, 2007 on our consideration of the Wayne Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Partnership for Children of Wayne County 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
November 30, 2007

The Partnership for Children of Wayne County, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2007 *Exhibit A*

	Unrestricted Funds		Temporarily	
	Smart Start Fund	Other Funds	Restricted Funds	Total Funds
Receipts:				
State Awards	$ 1,291,694	$ 2,197,908	$ -	$ 3,489,602
Federal Awards	-	17,458	-	17,458
Local Awards	-	-	-	-
Private Contributions	-	28,638	27,455	56,093
Special Fund Raising Events	-	1,311	2,579	3,890
Interest and Investment Earnings	-	9,370	-	9,370
Sales Tax Refunds	-	6,190	-	6,190
Other Receipts	-	29,484	-	29,484
Total Receipts	1,291,694	2,290,359	30,034	3,612,087
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	15,434	(15,434)	-
	1,291,694	2,305,793	14,600	3,612,087
Expenditures:				
Programs:				
Child Care and Education Affordability	101,800	-	-	101,800
Child Care and Education Quality	331,870	43,644	-	375,514
Family Support	300,601	59,261	-	359,862
Health and Safety	179,130	-	-	179,130
More at Four	40,653	2,153,474	-	2,194,127
Support:				
Fund Raising	4,280	-	-	4,280
Management and General	180,827	14,351	-	195,178
Program Coordination	152,533	600	-	153,133
Other:				
Sales Tax Paid	-	6,304	-	6,304
Total Expenditures	1,291,694	2,277,634	-	3,569,328
Excess of Receipts Over Expenditures	-	28,159	14,600	42,759
Net Assets at Beginning of Year	-	60,762	27,318	88,080
Net Assets at End of Year	$ -	$ 88,921	$ 41,918	$ 130,839
Net Assets Consisted of:				
Cash and Cash Equivalents	$ 17,797	$ 89,184	$ 41,918	$ 148,899
Refunds Due From Contractors	2,720	-	-	2,720
	20,517	89,184	41,918	151,619
Less: Due to the State	20,517	-	-	20,517
Funds Held for Others	-	263	-	263
	$ -	$ 88,921	$ 41,918	$ 130,839

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

The Partnership for Children of Wayne County, 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 Affordability	$ 101,800	$ -	$ -	$ -	$ -	$ -	$ -	$ 101,800	$ -
Child Care and Education Quality	331,870	261,510	-	24,201	27,613	927	12,721	4,178	720
Family Support	300,601	67,806	-	16,318	12,898	1,239	6,366	195,974	-
Health and Safety	179,130	13,045	3,837	473	1,097	-	129	160,549	-
More at Four	40,653	-	-	-	-	-	-	40,653	-
	954,054	342,361	3,837	40,992	41,608	2,166	19,216	503,154	720
Support:									
Fund Raising	4,280	4,133	-	-	97	50	-	-	-
Management and General	180,827	133,525	-	7,514	27,254	10,090	2,444	-	-
Program Coordination	152,533	133,028	7,300	2,390	8,618	535	662	-	-
	337,640	270,686	7,300	9,904	35,969	10,675	3,106	-	-
Total Smart Start Fund Expenditures	$ 1,291,694	$ 613,047	$ 11,137	$ 50,896	$ 77,577	$ 12,841	$ 22,322	$ 503,154	$ 720
Other Funds:									
Programs:									
Child Care and Education Quality	$ 43,644	$ 11,368	$ -	$ 10,776	$ 6,300	$ 5	$ 4,925	$ 9,410	$ 860
Family Support	59,261	9,763	1,025	4,398	16,998	262	3,377	23,438	-
More at Four	2,153,474	101,408	630	1,590	5,696	1,220	309	2,042,621	-
	2,256,379	122,539	1,655	16,764	28,994	1,487	8,611	2,075,469	860
Support:									
Management and General	14,351	387	11,613	465	25	629	1,232	-	-
Program Coordination	600	-	600	-	-	-	-	-	-
	14,951	387	12,213	465	25	629	1,232	-	-
Other:									
Sales Tax Paid	6,304	-	-	6,304	-	-	-	-	-
	6,304	-	-	6,304	-	-	-	-	-
Total Other Funds Expenditures	$ 2,277,634	$ 122,926	$ 13,868	$ 23,533	$ 29,019	$ 2,116	$ 9,843	$ 2,075,469	$ 860

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **Organization and Purpose** - The Partnership for Children of Wayne County, Inc. (Wayne Partnership) is a legally separate nonprofit organization incorporated on September 12, 1997. The Wayne Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Wayne 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 Wayne 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 Wayne 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 received; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. **Basis of Accounting** (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. 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. **Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Wayne Partnership acts in an agency capacity. For the year ended, the Wayne Partnership was holding amounts withheld from employee paychecks for distribution to taxing authorities. In addition, the Wayne Partnership is holding funds for the Greenville Region Interagency Coordinating Council and the New Bern Region Interagency Coordinating Council.

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, Wayne Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Wayne 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 8A.

J. Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Wayne 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 Wayne 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 Wayne Partnership to a concentration of credit risk. At June 30, 2007, the Wayne Partnership had a bank balance of $34,904 and a book balance of ($57,992) in its checking account. The Partnership also had a savings account balance of $206,790 with the same bank resulting in bank deposits in excess of the FDIC insured limit of $141,694.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Wayne 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 Wayne 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.

NOTE 3 - FUNDING FROM GRANT AWARDS (CONTINUED)

The Wayne Partnership was awarded and has received $1,312,211 under a current year Smart Start contract with NCPC**.** The unexpended balance of this contract is subject to reversion to the State. The Wayne Partnership has returned $20,517 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

More at Four - The Wayne Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Wayne Partnership was awarded $2,164,584 under a current year contract.

The Wayne 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 Wayne Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Wayne Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Wayne 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 Wayne 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 Affordability - Used to account for service activities associated with Head Start wraparound/extended day.

NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)

A. Program Functions (continued)

Child Care and Education Quality - Used to account for service activities associated with child care resource and referral services.

Family Support - Used to account for service activities including ongoing parenting education, literacy programs, and community outreach information and resources.

Health and Safety - Used to account for service activities including child care health consultants or home visiting.

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.

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 data.

NOTE 6 - PENSION PLAN

A. Retirement Plans - The Wayne Partnership has a Simplified Employee Pension Plan (SEP Plan) covering all full-time employees. Each full-time employee of the Wayne Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Wayne Partnership contributed 5% of gross wages for the year ended June 30, 2007. The Wayne Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Wayne Partnership contributed $28,608 for pension benefits during the year.

B. IRC Section 403(b) Plan - All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. No costs were incurred by the Wayne Partnership.

NOTE 7 - RISK MANAGEMENT

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

Type of Loss	Method Managed	Risk of Loss Retained
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 Wayne Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

A. Compensated Absences – As a result of the Wayne 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 $33,090. No funds or reservation of net assets has been made for this commitment.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Commitments on Contracts – The Wayne Partnership had commitments on multi-year contracts with a service provider of $13,728.

NOTE 9 - RESTRICTIONS ON NET ASSETS

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

Purpose	Amount
Mount Olive College Fund	$ 13,804
Assemblies	2,575
Born Learning	389
Kinder Readiness/ Transition	100
Borden Fund	15,000
Latino/Hispanic Community Educator	10,050
	$ 41,918

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
Mount Olive College Fund	$ 773
Borden Fund	7,860
Child Safety Seat Grant	50
Wayne Community College	77
Assemblies	3,025
Kinder Readiness/Transition	2,417
Wachovia Dumpster Fence Grant	1,232
	$ 15,434

The Partnership for Children of Wayne County, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2007 *Schedule 1*

Organization Name		Smart Start Fund Amount Advanced	Smart Start Fund Refund Due	Other Funds Amount Advanced	Other Funds Refund Due
Paid to Organizations:					
Bright Beginnings		$ -	$ -	$ 79,450	$ -
Happy Days Child Care, Inc.		-	-	160,716	-
Kids & Co. Child Care, Inc.		-	-	81,720	-
NC Cooperative Extention of Wayne County	*	137,584	-	23,395	-
Rhyme University, Inc.	*	-	-	81,720	-
Small World Childcare Center, Inc.		-	-	326,426	-
Wayne Action Group for Economic Solvency	*	166,084	(1,044)	264,525	-
Wayne County Health Department	*	121,892	(1,676)	-	-
Wayne County Public Library Inc.	*	47,571	-	-	-
Wayne County Public Schools	*	-	-	723,000	-
Wee Are the World, Inc.	*	17,451	-	244,706	-
Wonderland Christian Child Care Center, Inc.		295	-	80,358	-
		-	-		-
		490,877	(2,720)	2,066,016	-
Paid to Individuals:					
Scholarship/Bonus/Awards		14,997	-	9,453	-
		$ 505,874	$ (2,720)	$ 2,075,469	$ -

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

The Partnership for Children of Wayne County, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2007 *Schedule 2*

Organization Name	DHHS Contracts
Child Care Services Association - WAGE$ Program	$ 222,968
Wayne County Department of Social Services*	776,512
	$ 999,480

* 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 Partnership for Children of Wayne County, 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					
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 Networks, Inc.					
Child Care and Development Fund		93.575	#6230001	$ 17,458	$ 17,458
Total Federal Awards				17,458	17,458
State Awards:					
North Carolina Department of Health and Human Services					
Division of Child Development					
Pass-through from the North Carolina Partnership for					
Children, Inc.					
Early Childhood Initiatives Program	*			1,291,694	1,291,694
Multi-County Accounting and Contracting Grant				12,000	12,000
Capacity Building Grant				21,324	21,324
North Carolina Department of Public Instruction, Office of					
School Readiness					
More at Four Pre-Kindergarten Program	*			2,164,584	2,153,476
Total State Awards				3,489,602	3,478,494
Total Federal and State Awards				$ 3,507,060	$ 3,495,952

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

The Partnership for Children of Wayne County, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2007 ***Schedule 4***

Furniture and Noncomputer Equipment	$	58,347
Computer Equipment/Printers		119,045
Buildings		517,171
Leasehold Improvements		1,232
Motor Vehicles		2,500
Total Property and Equipment	$	698,295

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 Partnership for Children of Wayne County, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2007 ***Schedule 5***

Match Provided at the Partnership Level:

Cash	$	93,198
In-Kind Goods and Services		18,126
	$	111,324

Match Provided at the Contractor Level:

Cash	$	299,187
In-Kind Goods and Services		-
	$	299,187

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.

Clifton Gunderson LLP
Certified Public Accountants & Consultants

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
The Partnership for Children of Wayne County, Inc.
Goldsboro, North Carolina

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Wayne Partnership in a separate letter dated November 30, 2007.

This report is intended solely for the information and use of the Wayne Partnership's Board of Directors, management of the Wayne 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
November 30, 2007

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