

**RICHMOND COUNTY PARTNERSHIP
FOR CHILDREN
Rockingham, 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
RICHMOND COUNTY PARTNERSHIP FOR CHILDREN
ROCKINGHAM, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS

WILEY MABLE, BOARD CHAIR

ADMINISTRATIVE OFFICER

MARTHA VANCE BROWN, 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, Richmond County Partnership for Children

This report presents the results of the financial statement audit of Richmond County Partnership for Children for the year ended June 30, 2007. Clifton Gunderson LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Richmond County Partnership for Children was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-16. This statute created The North Carolina Partnership for Children, Inc. and required the implementation of local partnerships. The Richmond County Partnership for Children is one of these local partnerships. As such, the Richmond County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14(b) to have a financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the *North Carolina General Statutes*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of all audit reports issued by the Office of the State Auditor may be obtained through one of the options listed on the back of this report.

Leslie W. Merritt, Jr.

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Richmond County Partnership for Children
Rockingham, North Carolina

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2008, on our consideration of the Richmond Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Richmond Partnership'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 Henderson LLP

Raleigh, North Carolina
January 31, 2008

***Richmond County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis
For the Year Ended June 30, 2007***

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards	\$ 959,624	\$ 12,000	\$ -	\$ 971,624
Federal Awards	-	23,637	-	23,637
Private Contributions	-	1,572	-	1,572
Interest and Investment Earnings	-	71	-	71
Sales Tax Refunds	-	2,839	-	2,839
Other Receipts	-	3,479	-	3,479
Total Receipts	959,624	43,598	-	1,003,222
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	2,614	(2,614)	-
	959,624	46,212	(2,614)	1,003,222
Expenditures:				
Programs:				
Child Care and Education Affordability	10,000	-	-	10,000
Child Care and Education Quality	475,468	26,643	-	502,111
Family Support	69,100	4,516	-	73,616
Health and Safety	137,706	-	-	137,706
More at Four	80,000	-	-	80,000
Support:				
Management and General	127,850	12,231	-	140,081
Program Evaluation	59,500	-	-	59,500
Other:				
Sales Tax Paid	-	6,915	-	6,915
Total Expenditures	959,624	50,305	-	1,009,929
Excess of Receipts Over Expenditures	-	(4,093)	(2,614)	(6,707)
Net Assets at Beginning of Year	-	763	2,614	3,377
Net Assets (Deficit) at End of Year	\$ -	\$ (3,330)	\$ -	\$ (3,330)
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 146	\$ (3,330)	\$ -	\$ (3,184)
Refunds Due From Contractors	143	-	-	143
	289	(3,330)	-	(3,041)
Less: Due to the State	289	-	-	289
	\$ -	\$ (3,330)	\$ -	\$ (3,330)

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

Richmond County Partnership for Children
Statement of Functional Expenditures – Modified Cash Basis
For the Year Ended June 30, 2007

Exhibit B

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/ Contracts/ Grants</u>
Smart Start Fund:								
Programs:								
Child Care and Education Affordability	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Child Care and Education Quality	475,468	151,046	2,310	33,968	41,109	7,905	18,473	220,657
Family Support	69,100	-	-	-	-	-	-	69,100
Health and Safety	137,706	-	-	-	-	-	-	137,706
More at Four	80,000	-	-	-	-	-	-	80,000
	<u>772,274</u>	<u>151,046</u>	<u>2,310</u>	<u>33,968</u>	<u>41,109</u>	<u>7,905</u>	<u>18,473</u>	<u>517,463</u>
Support:								
Management and General	127,850	89,216	5,703	5,278	16,401	4,804	6,448	-
Program Evaluation	59,500	45,317	136	1,202	10,166	1,200	1,479	-
	<u>187,350</u>	<u>134,533</u>	<u>5,839</u>	<u>6,480</u>	<u>26,567</u>	<u>6,004</u>	<u>7,927</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 959,624</u>	<u>\$ 285,579</u>	<u>\$ 8,149</u>	<u>\$ 40,448</u>	<u>\$ 67,676</u>	<u>\$ 13,909</u>	<u>\$ 26,400</u>	<u>\$ 517,463</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 26,643	\$ 11,669	\$ 300	\$ 631	\$ 12,125	\$ -	\$ -	\$ 1,918
Family Support	4,516	-	-	4,516	-	-	-	-
	<u>31,159</u>	<u>11,669</u>	<u>300</u>	<u>5,147</u>	<u>12,125</u>	<u>-</u>	<u>-</u>	<u>1,918</u>
Support:								
Management and General	12,231	-	12,000	181	-	50	-	-
	<u>12,231</u>	<u>-</u>	<u>12,000</u>	<u>181</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>-</u>
Other:								
Sales Tax Paid	6,915	-	-	6,915	-	-	-	-
Total Other Funds Expenditures	<u>\$ 50,305</u>	<u>\$ 11,669</u>	<u>\$ 12,300</u>	<u>\$ 12,243</u>	<u>\$ 12,125</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 1,918</u>

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Richmond County Partnership for Children (Richmond Partnership) is a legally separate nonprofit organization incorporated on December 13, 1996. The Richmond Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Richmond 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 Richmond 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.

The Richmond Partnership did not have any temporarily or 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.

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.

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 incurred. However, Richmond Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Richmond Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2007. Donated items are recorded at estimated fair market value at the date of donation.
- H. Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Richmond 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 Richmond 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 Richmond Partnership to a concentration of credit risk. At June 30 2007, the Richmond Partnership's checking account was in an overdraft position of \$3,209 with a bank balance of \$107,455, which was in excess of the FDIC insured limit in the amount of \$7,455.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Richmond 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 Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Richmond 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 Richmond Partnership was awarded and has received \$959,913 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Richmond Partnership has returned \$289 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

Regional Child Care Resource & Referral Program (CCR&R) - The Richmond Partnership's other major source of revenue and support is from the North Carolina Department of Health and Human Services based on a cost-reimbursement pass-through contract with Child Care Connections Inc. of Moore County for the Child Care Resource & Referral Program.

The Richmond Partnership was awarded and received \$23,637 under the current year contract. The Richmond Partnership has returned \$589 of this contract to Child Care Connections Inc. of Moore County based on financial status reports submitted subsequent to June 30, 2007. The Richmond Partnership expects to receive continued funding through new Child Care Resource & Referral Program contracts with Child Care Connections Inc. of Moore County.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, quality enhancement grants for maintenance, Head Start enhancement, child care resource and referral services, professional development for child care providers, child care support services, and professional development.

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

Health and Safety - Used to account for service activities including child care health consultants, oral health services, and special needs – early intervention services/special education.

B. Support Functions

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

Program Evaluation - Expenditures that are incurred to monitor the effectiveness and feasibility of Partnership activities and contract agencies to determine if the short-term and long-term goals are being achieved.

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

NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

Other Costs - Other costs including occupancy cost (mortgage payment, utilities and maintenance), supplies and materials, and communication costs (internet and postage) were allocated based on utilization data.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Operating Lease Obligations - Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2007:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2008	<u>\$ 2,498</u>

Rental expense for all operating leases during the year was \$3,610.

NOTE 7 - PENSION PLAN

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 Plan is a defined contribution plan in which each employee of the Richmond Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Richmond Partnership contributed 3% 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 Richmond Partnership contributed \$6,764 for retirement benefits during the year.

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

NOTE 8 - RISK MANAGEMENT

The Richmond 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 Richmond 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 Richmond 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 Richmond 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 \$7,356. No funds or reservation of net assets has been made for this commitment.

B. Loan Commitment - The Richmond Partnership has a mortgage with a balance of \$37,713 at June 30, 2007. The mortgage is collateralized by a building and land. The loan is payable to Branch Banking and Trust in monthly installments of \$500, including principal and interest computed at the bank's prime rate.

The future scheduled maturities of long-term debt are as follows:

<u>Fiscal Year</u>	<u>Debt</u>
2008	\$ 6,000
2009	6,000
2010	6,000
2011	19,713
Total Debt Payments	\$ 37,713

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

NOTE 10 - RESTRICTIONS ON NET ASSETS

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>
Dolly Parton Imagination Library	<u>\$ 2,614</u>

NOTE 11 - DEFICIT IN NET ASSETS

The Richmond Partnership had a deficit in unrestricted net assets of \$3,330 as of June 30, 2007, which also resulted in a deficit of \$3,330 in total net assets. The Richmond Partnership at June 30, 2007 was due a refund from the State of North Carolina for sales taxes paid in the amount of \$6,314. However, as stated in Note 1C, the Richmond Partnership uses the modified cash basis of accounting where revenues are recognized when received rather than when earned. Therefore the revenue associated with the sales tax refund is not recognized until the funds are received. The Richmond Partnership received this refund on August 31, 2007.

***Richmond County Partnership for Children
Schedule of Contract and Grant Expenditures – Modified Cash Basis
For the Year Ended June 30, 2007***

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Paid to Organizations:				
Child Care Star Enhancement	\$ 74,027	\$ -	\$ -	\$ -
Richmond County Health Department*	65,154	143	-	-
Richmond County Schools*	159,100	-	-	-
Sandhills Children's Center-Comprehensive Health Services	72,695	-	-	-
Various Child Care Providers	146,630	-	-	-
	<u>517,606</u>	<u>143</u>	<u>-</u>	<u>-</u>
Paid to Individuals:				
Salary Supplements	-	-	445	-
Stipends/Scholarships/Bonus	-	-	348	-
Child Care Training	-	-	1,125	-
	<u>-</u>	<u>-</u>	<u>1,918</u>	<u>-</u>
	<u>\$ 517,606</u>	<u>\$ 143</u>	<u>\$ 1,918</u>	<u>\$ -</u>

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

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

Schedule 2

Organization Name	DHHS Contracts
Richmond County Department of Social Services*	\$ 301,968

* This organization is 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.

Richmond County Partnership for Children
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>
Federal Awards:				
US Department of Health and Human Resources Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development Child Care Connections, Inc. of Moore County Child Care Resource and Referral	93.575	306-377	\$ 23,637	\$ 23,048
Total Federal Awards			<u>23,637</u>	<u>23,048</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 *		NA	959,624	959,624
Multi-County Accounting and Contracting Grant		NA	<u>12,000</u>	<u>12,000</u>
Total State Awards			<u>971,624</u>	<u>971,624</u>
Total Federal and State Awards			<u>\$ 995,261</u>	<u>\$ 994,672</u>

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

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

Schedule 4

Furniture and Noncomputer Equipment	\$	21,529
Computer Equipment/Printers		28,484
Buildings		43,500
Land		11,500
Leasehold Improvements		<u>24,970</u>
Total Property and Equipment	\$	<u><u>129,983</u></u>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year-end. The valuations represent historical cost. On the modified basis of accounting, these items are expensed in the year of purchase.

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

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 25,025
In-Kind Goods and Services	<u>137,347</u>
	<u>\$ 162,372</u>

Match Provided at the Contractor Level:

Cash	\$ 58,101
In-Kind Goods and Services	<u>14,408</u>
	<u>\$ 72,509</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2005-276, Section 10.64(c). The North Carolina Partnership for Children, Inc. and all local partnerships are required to match the total amount budgeted for the Smart Start Program in each fiscal year. The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this Partnership in meeting the statewide match requirement.

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

Board of Directors
Richmond County Partnership for Children
Rockingham, North Carolina

We have audited the financial statements of the Richmond County Partnership for Children (Richmond Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated January 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Richmond 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 Richmond Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Richmond 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 Richmond 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 Richmond Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Richmond 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 Richmond 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 Richmond Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Clifton Gunderson LLP

Raleigh, North Carolina
January 31, 2008

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