

**PARTNERSHIP FOR CHILDREN OF  
CUMBERLAND COUNTY, INC.  
Fayetteville, North Carolina**

**FINANCIAL STATEMENTS  
June 30, 2008**

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

**BETH A. WOOD, CPA  
STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**  
**PARTNERSHIP FOR CHILDREN OF CUMBERLAND COUNTY, INC.**

**FAYETTEVILLE, NORTH CAROLINA**

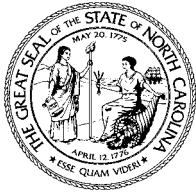
**FOR THE YEAR ENDED JUNE 30, 2008**

**BOARD OF DIRECTORS**

**BISHOP DR. KENNETH L. HILL , BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**EVA HANSEN, PRESIDENT/EXECUTIVE ASSISTANT**



**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the 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 Beverly E. Perdue, Governor  
The General Assembly of North Carolina  
Board of Directors, Partnership for Children of Cumberland County, Inc.

This report presents the results of the financial statement audit of Partnership for Children of Cumberland County, Inc. for the year ended June 30, 2008. Clifton Gunderson LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

You will note from the independent auditor's report that the auditor determined that the financial statements are presented fairly in all material respects. The results of their tests disclosed no deficiencies in internal control over financial reporting that were considered to be material weaknesses in relation to their audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*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.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA  
State Auditor

# TABLE OF CONTENTS

---

	PAGE
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
EXHIBITS	
A Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis.....	3
B Statement of Functional Expenditures – Modified Cash Basis .....	4
Notes to the Financial Statements.....	5
SUPPLEMENTARY SCHEDULES	
1 Schedule of Contract and Grant Expenditures – Modified Cash Basis.....	13
2 Schedule of State Level Service Provider Contracts.....	14
3 Schedule of Federal and State Awards – Modified Cash Basis.....	15
4 Schedule of Property and Equipment – Modified Cash Basis.....	16
5 Schedule of Qualifying Match (Non-GAAP) .....	17
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	18
ORDERING INFORMATION .....	20

## INDEPENDENT AUDITOR'S REPORT

---

Board of Directors  
Partnership for Children of Cumberland County, Inc.  
Fayetteville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Partnership for Children of Cumberland County, Inc. (Cumberland Partnership), and the related Statement of Functional Expenditures – Modified Cash Basis for the year ended June 30, 2008. These financial statements are the responsibility of the Cumberland 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 Cumberland Partnership as of June 30, 2008, 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, 2009 on our consideration of the Cumberland 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 Cumberland Partnership for Children's basic financial statements. The information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1, 3, 4 and 5 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

*Clifton Henderson LLP*

Raleigh, North Carolina  
March 31, 2009

**Partnership for Children of Cumberland County, Inc.**  
**Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis**  
**For the Year Ended June 30, 2008**

**Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards	\$ 6,175,345	\$ 7,811,257	\$ -	\$ 13,986,602
Federal Awards	-	273,618	-	273,618
Private Contributions	-	31,729	8,768	40,497
Sales Tax Refunds	-	59,992	-	59,992
Other Receipts	-	431,368	-	431,368
<b>Total Receipts</b>	<b>6,175,345</b>	<b>8,607,964</b>	<b>8,768</b>	<b>14,792,077</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	120,452	(120,452)	-
	<b>6,175,345</b>	<b>8,728,416</b>	<b>(111,684)</b>	<b>14,792,077</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	1,063,384	2,844	-	1,066,228
Child Care and Education Quality	2,454,126	559,945	-	3,014,071
Family Support	718,284	635,085	-	1,353,369
Health and Safety	373,301	178	-	373,479
More at Four	360,836	6,845,169	-	7,206,005
Support:				
Fund Raising	-	1,428	-	1,428
Management and General	463,700	175,874	-	639,574
Program Coordination and Evaluation	462,131	34,448	-	496,579
System Integration	279,583	75,221	-	354,804
Other:				
Sales Tax Paid	-	85,278	-	85,278
<b>Total Expenditures</b>	<b>6,175,345</b>	<b>8,415,470</b>	<b>-</b>	<b>14,590,815</b>
<b>Excess of Receipts Over Expenditures</b>	<b>-</b>	<b>312,946</b>	<b>(111,684)</b>	<b>201,262</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>295,756</b>	<b>123,385</b>	<b>419,141</b>
<b>Net Assets at End of Year</b>	<b>\$ -</b>	<b>\$ 608,702</b>	<b>\$ 11,701</b>	<b>\$ 620,403</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 23,409	\$ 624,111	\$ 11,701	\$ 659,221
Refunds Due From Contractors	39,532	-	-	39,532
	<b>62,941</b>	<b>624,111</b>	<b>11,701</b>	<b>698,753</b>
Less: Due to the State	60,084	-	-	60,084
Funds Held for Others	2,857	15,409	-	18,266
	<b>\$ -</b>	<b>\$ 608,702</b>	<b>\$ 11,701</b>	<b>\$ 620,403</b>

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

**Partnership for Children of Cumberland County, Inc.**  
**Statement of Functional Expenditures – Modified Cash Basis**  
**For the Year Ended June 30, 2008**

**Exhibit B**

	<b>Total</b>	<b>Personnel</b>	<b>Contracted Services</b>	<b>Supplies and Materials</b>	<b>Other Operating Expenditures</b>	<b>Fixed Charges and Other Expenditures</b>	<b>Property and Equipment Outlay</b>	<b>Services/ Contracts/ Grants</b>
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 1,063,384	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,063,384
Child Care and Education Quality	2,454,126	853,971	102,773	36,337	132,489	30,151	40,506	1,257,899
Family Support	718,284	29,005	28,574	15,012	62,545	6,278	6,743	570,127
Health and Safety	373,301	-	-	4,311	7,689	-	-	361,301
More at Four	360,836	48,004	2,500	2,107	17,363	475	-	290,387
	<u>4,969,931</u>	<u>930,980</u>	<u>133,847</u>	<u>57,767</u>	<u>220,086</u>	<u>36,904</u>	<u>47,249</u>	<u>3,543,098</u>
<b>Support:</b>								
Management and General	463,700	360,802	17,161	13,433	54,111	13,013	5,180	-
Program Coordination and Evaluation	462,131	342,242	25,960	14,301	57,897	15,003	6,728	-
System Integration	279,583	188,678	47,618	18,490	9,976	1,501	13,996	(676)
	<u>1,205,414</u>	<u>891,722</u>	<u>90,739</u>	<u>46,224</u>	<u>121,984</u>	<u>29,517</u>	<u>25,904</u>	<u>(676)</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 6,175,345</u>	<u>\$ 1,822,702</u>	<u>\$ 224,586</u>	<u>\$ 103,991</u>	<u>\$ 342,070</u>	<u>\$ 66,421</u>	<u>\$ 73,153</u>	<u>\$ 3,542,422</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 2,844	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,844
Child Care and Education Quality	559,945	337,766	13,558	3,395	33,039	1,945	5,848	164,394
Family Support	635,085	74,095	11,476	3,288	118,169	206,009	219,413	2,635
Health and Safety	178	-	-	178	-	-	-	-
More at Four	6,845,169	197,018	44,908	12,524	33,346	1,664	49,863	6,505,846
	<u>8,043,221</u>	<u>608,879</u>	<u>69,942</u>	<u>19,385</u>	<u>184,554</u>	<u>209,618</u>	<u>275,124</u>	<u>6,675,719</u>
<b>Support:</b>								
Fund Raising	1,428	661	-	-	767	-	-	-
Management and General	175,874	152,260	5,825	368	13,066	3,276	1,079	-
Program Coordination and Evaluation	34,448	9,878	10,992	3,573	8,770	280	955	-
System Integration	75,221	52,350	4,870	-	12,173	-	5,828	-
	<u>286,971</u>	<u>215,149</u>	<u>21,687</u>	<u>3,941</u>	<u>34,776</u>	<u>3,556</u>	<u>7,862</u>	<u>-</u>
<b>Other:</b>								
Sales Tax Paid	85,278	-	-	85,278	-	-	-	-
<b>Total Other Funds Expenditures</b>	<u>\$ 8,415,470</u>	<u>\$ 824,028</u>	<u>\$ 91,629</u>	<u>\$ 108,604</u>	<u>\$ 219,330</u>	<u>\$ 213,174</u>	<u>\$ 282,986</u>	<u>\$ 6,675,719</u>

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



*Partnership for Children of Cumberland County, Inc.*  
*Notes to Financial Statements*  
*June 30, 2008*

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** – The Partnership for Children of Cumberland County, Inc. (Cumberland Partnership) is a legally separate nonprofit organization incorporated on December 2, 1993. The Cumberland Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Cumberland 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 Cumberland 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 Cumberland Partnership had no permanently restricted net assets at June 30, 2008.

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

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 Due to the State.

*Partnership for Children of Cumberland County, Inc.*  
*Notes to Financial Statements*  
*June 30, 2008*

---

**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 certificates of deposit 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 Cumberland Partnership acts in an agency capacity. For the year ended June 30, 2008 the Cumberland Partnership was holding amounts withheld from employee paychecks related to the flexible spending plan and employee benefits to be distributed to the appropriate party.

In addition, the Cumberland Partnership was holding amounts on behalf of the Omni Centre Association. The Cumberland Partnership is the majority owner of the Omni Centre Association (Association) and acts as the administrative agent for the Association. Historically, the Association has collected funds and made payments on behalf of the Association members for common costs such as building maintenance and landscaping. At June 30, 2008, the Cumberland Partnership had become the sole owner of the Omni Centre and the only funds held on behalf of the Association were funds resulting from litigation that were paid as restitution to Association members by a former contractor that provided services to the Association.

- H. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Cumberland Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Cumberland Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an

*Partnership for Children of Cumberland County, Inc.*  
*Notes to Financial Statements*  
*June 30, 2008*

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Property and Equipment (continued)**

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, 2008. 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 Cumberland 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 Cumberland Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. Deposits over this amount subject the Cumberland Partnership to a concentration of credit risk. At June 30, 2008, the Cumberland Partnership's bank deposits in excess of the FDIC insured limit was \$1,092,085.

The Cumberland Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investments are in the bank's Money Market Reserves fund and are not insured by the FDIC.

**NOTE 3 - FUNDING FROM GRANT AWARDS**

**Smart Start Program** – One of the Cumberland Partnership's major sources 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 Cumberland Partnership and represents a concentration of credit risk as to the generation of revenue.

*Partnership for Children of Cumberland County, Inc.*  
*Notes to Financial Statements*  
*June 30, 2008*

---

**NOTE 3 - FUNDING FROM GRANT AWARDS (CONTINUED)**

**Smart Start Program** (continued)

Associated with these contracts, the Cumberland 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 Cumberland 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 of the accompanying financial statements.

The Cumberland Partnership was awarded and received \$6,236,614 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Cumberland Partnership has returned \$61,269 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

The Cumberland Partnership expects to receive continued funding through new Smart Start Contracts with the State.

**More at Four** – The Cumberland Partnership also received revenue and support from the State of North Carolina for More at Four Program. The Cumberland Partnership was awarded \$8,418,898 and received \$7,799,592 under a current year purchase of service contract. The unexpended balance of this contract is not subject to reversion to the State. The Cumberland 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 Cumberland Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Cumberland Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Cumberland 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 Cumberland 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 including child care subsidy administration (runs through Division for Child Development (DCD)), public pre-K classes, child care cost supports (run through DCD), and child care subsidy programs (outside of DSD).

**Child Care and Education Quality** – Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, professional development supplements, and provider training.

**Family Support** – Used to account for service activities including family resource centers, teen parent and child programs, general family support and literacy projects.

**Health and Safety** – Used to account for service activities including health services and support, and special needs – early intervention and special education.

**More at Four** – Used to account for development and implementation of More at Four Prekindergarten Program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality prekindergarten 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.

*Partnership for Children of Cumberland County, Inc.*  
*Notes to Financial Statements*  
*June 30, 2008*

---

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

**B. Support Functions (continued)**

**Program Coordination and Evaluation** – 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 as to the delivery of services and adherence to the specified terms and conditions of the contracts.

**System Integration** – Expenditures incurred for information management across several agencies and organizations bridging numerous service areas.

**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, printing and postage) were allocated based on utilization data.

**NOTE 6 - OPERATING LEASE OBLIGATIONS**

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2008:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2009	\$ 29,977
2010	29,081
2011	28,633
2012	<u>11,178</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 98,869</u></b>

Rental expense for all operating leases during the year was \$33,854.

In addition, as stated in Note 1, the Cumberland Partnership owns the Omni Centre Association (Association). The Association is an office complex located in Fayetteville, North Carolina. The Cumberland Partnership realized significant rental income from the Association. For the year ended June 30, 2008 the Cumberland Partnership received \$228,340 of rental income from the Association. This amount is included in Other Receipts on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis.

*Partnership for Children of Cumberland County, Inc.*  
*Notes to Financial Statements*  
*June 30, 2008*

---

**NOTE 6 - OPERATING LEASE OBLIGATIONS (CONTINUED)**

Future minimum lease rentals to be received consist of the following at June 30, 2008:

2009	\$ 156,300
2010	39,871
2011	17,139
2012	<u>4,295</u>
<b>Total minimum lease rentals</b>	<b><u>\$ 217,605</u></b>

**NOTE 7 - PENSION PLAN**

The Cumberland Partnership has an IRC Section 401(k) plan (Plan) available to employees age 21 and older and who have one year of service with at least 1,000 hours. All costs of Administering the Plan are the responsibility of the Plan Participants. The Cumberland County Partnership provides matching of the employee contribution not to exceed 4% of the employee's annual salary. Employees may make voluntary contributions to the Plan. For the period ended June 30, 2008, the Cumberland Partnership contributed \$60,705 in matching retirement benefits.

**NOTE 8 - RISK MANAGEMENT**

The Cumberland 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 Cumberland 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 Cumberland 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 Cumberland 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, 2008, is \$109,355. No funds or reservation of net assets have been encumbered for this commitment.

*Partnership for Children of Cumberland County, Inc.*  
*Notes to Financial Statements*  
*June 30, 2008*

---

**NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)**

- B. Loan Commitment** – The Cumberland Partnership has a note payable to Bank of America with a balance of \$1,525,135 at June 30, 2008. Monthly payments are \$14,659 including interest at 5.8%. The note is collateralized by an office building. Total interest paid on the note payable for the year ended June 30, 2008 was \$94,521.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 89,803	\$ 86,100
2010	95,152	80,750
2011	100,820	75,082
2012	106,826	69,077
2013	113,186	62,714
2014 – 2019	835,669	219,743
2020 – 2024	<u>183,679</u>	<u>6,287</u>
<b>Total Loan Payments</b>	<b><u>\$ 1,525,135</u></b>	<b><u>\$ 599,753</u></b>

**NOTE 10 - RESTRICTIONS ON NET ASSETS**

- A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2008 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Capital Campaign	\$ 5,701
Brookdale Relatives As Parents Program	<u>6,000</u>
<b>Total</b>	<b><u>\$ 11,701</u></b>

- B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2008, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Division of Child Development Grant	\$ 1,274
National Association of Child Care Resource and Referral Agencies	112,493
Capital Campaign	<u>6,685</u>
<b>Total</b>	<b><u>\$ 120,452</u></b>

This information is an integral part of the financial statements.



**Partnership for Children of Cumberland County, Inc.**  
**Schedule of Contract and Grant Expenditures – Modified Cash Basis**  
**For the Year Ended June 30, 2008**

**Schedule 1**

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<b>Paid to Organizations:</b>				
ARC of Cumberland County	\$ 17,703	\$ 2,315	\$ -	\$ -
Autism Society of Cumberland County	47,495	-	-	-
Crago, Alvarez and Bicknell	(676)	-	-	-
Care Management Services	40,300	-	-	-
Cumberland County Mental Health	* 236,472	3,031	-	-
Cumberland County Public Library	* 349,478	20,595	-	-
Cumberland County Schools	* 735,114	4,895	1,566,638	-
Cumberland Community Action Program, Inc.	* 22,859	-	1,405,180	-
Easter Seals	* 163,714	-	69,734	-
Families First	24,677	-	-	-
Fayetteville Museum of Art	100,000	-	-	-
Fayetteville State University	21,743	8,696	-	-
Fayetteville Technical Community College	* 441,355	-	74,838	-
Fayetteville Youth for Christ	180,504	-	-	-
Highland Presbyterian Church	24,454	-	28,228	-
Kindermusik	54,912	-	-	-
Morris Educational Christian Academy	5,180	-	-	-
	<u>2,465,284</u>	<u>39,532</u>	<u>3,144,618</u>	<u>-</u>
<b>Paid to Individuals:</b>				
Child Care Expense Reimbursements	603,549	-	3,048,898	-
Scholarships and Bonus Awards	106,980	-	150,824	-
Health Screenings	32,196	-	-	-
Quality Improvements Grants	244,340	-	15,868	-
Car Seat Distribution	1,954	-	-	-
Participant Training Grants	126,499	-	17,261	-
More at Four Materials	1,152	-	298,250	-
	<u>1,116,670</u>	<u>-</u>	<u>3,531,101</u>	<u>-</u>
	<u>\$ 3,581,954</u>	<u>\$ 39,532</u>	<u>\$ 6,675,719</u>	<u>\$ -</u>

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

***Partnership for Children of Cumberland County, Inc.***  
***Schedule of State Level Service Provider Contracts***  
***For the Year Ended June 30, 2008***

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Child Care Services Association - WAGES	\$ 405,000
Cumberland County Department of Social Services *	3,355,911
	<u>\$ 3,760,911</u>

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.

**Partnership for Children of Cumberland County, Inc.**  
**Schedule of Federal and State Awards – Modified Cash Basis**  
**For the Year Ended June 30, 2008**

**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>				
United States Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development Pass-through from Child Care Directions, Inc. Child Care Resource and Referral	93.575	#415-405-A	\$ 158,534	\$ 158,534
United States Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services - Department of Aging Pass-through from the Mid-Carolina Area Agency on Aging NC Family Caregiver Support Program	93.062	N/A	4,753	4,753
United States Department of Defense - Army Pass-through from the National Association of Child Care Resource and Referral Agencies (NACCRRA) Resource of Referral	N/A	N/A	106,456	106,456
United States Department of Defense - Army Pass-through from the National Association of Child Care Resource and Referral Agencies (NACCRRA) Reverse Referral Initiative	N/A	N/A	<u>3,875</u>	<u>-</u>
<b>Total Federal Awards</b>			<u>273,618</u>	<u>269,743</u>
<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	*		6,175,345	6,175,345
Multi-County Accounting and Contracting Grant			11,665	11,665
North Carolina Department of Public Instruction, Office of School Readiness More at Four Pre-Kindergarten Program	*	#0024-08	<u>7,799,592</u>	<u>7,353,312</u>
<b>Total State Awards</b>			<u>13,986,602</u>	<u>13,540,322</u>
<b>Total Federal and State Awards</b>			<u>\$ 14,260,220</u>	<u>\$ 13,810,065</u>

***Partnership for Children of Cumberland County, Inc.***  
***Schedule of Property and Equipment – Modified Cash Basis***  
***For the Year Ended June 30, 2008***

***Schedule 4***

---

Furniture and Noncomputer Equipment	\$ 278,447
Computer Equipment and Printers	356,984
Buildings	4,718,808
Leasehold Improvements	66,317
Motor Vehicles	17,525
	<hr/>
<b>Total Property and Equipment</b>	<b>\$ 5,438,081</b>
	<hr/>

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.

**Partnership for Children of Cumberland County, Inc.**  
**Schedule of Qualifying Match (Non-GAAP)**  
**For the Year Ended June 30, 2008**

**Schedule 5**

**Match Provided at the Partnership Level:**

Cash	\$ 331,088
In-Kind Goods and Services	<u>183,679</u>
	<u>\$ 514,767</u>

**Match Provided at the Contractor Level:**

Cash	\$ 786,902
In-Kind Goods and Services	<u>306,627</u>
	<u>\$ 1,093,529</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2007-323, Section 10.19(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  
Partnership for Children of Cumberland County, Inc.  
Fayetteville, North Carolina

We have audited the financial statements of the Partnership for Children of Cumberland County, Inc. (Cumberland Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated March 31, 2009. 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 Cumberland 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 Cumberland Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cumberland 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 Cumberland 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 Cumberland Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Cumberland 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 Cumberland 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 Cumberland 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 Cumberland Partnership in a separate letter dated March 31, 2009.

This report is intended solely for the information and use of the Cumberland Partnership's Board of Directors, management of the Cumberland Partnership, others within the 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  
March 31, 2009

## ORDERING INFORMATION

---

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