

REGION A PARTNERSHIP FOR CHILDREN
Sylva, 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

REGION A PARTNERSHIP FOR CHILDREN

SYLVA, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

RUFUS STARK, BOARD CHAIR

ADMINISTRATIVE OFFICER

JANICE EDGERTON, EXECUTIVE DIRECTOR



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Directors, Region A Partnership for Children

This report presents the results of the financial statement audit of Region A Partnership for Children 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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Region A Partnership for Children
Sylva, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Region A Partnership for Children (Region A Partnership) as of June 30, 2008, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Region A 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 Region A Partnership for Children 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 January 31, 2009 on our consideration of the Region A 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 Region A 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
January 31, 2009

Region A Partnership for Children
Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis
For the Year Ended June 30, 2008

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Permanently Restricted Funds	Total Funds
	Smart Start Fund	Other Funds			
Receipts:					
State Awards	\$ 1,783,044	\$ 2,461,252	\$ -	\$ -	\$ 4,244,296
Federal Awards (less refunds of \$ 1,305)	-	135,564	19,405	-	154,969
Private Contributions	-	131,662	164,124	-	295,786
Special Fund Raising Events	-	-	-	4,086	4,086
Interest and Investment Earnings	-	9,111	-	-	9,111
Sales Tax Refunds	-	3,773	-	-	3,773
Other Receipts	-	20,263	-	-	20,263
Total Receipts	1,783,044	2,761,625	183,529	4,086	4,732,284
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions	-	221,958	(221,958)	-	-
	1,783,044	2,983,583	(38,429)	4,086	4,732,284
Expenditures:					
Programs:					
Child Care and Education Affordability	179,591	4,198	-	-	183,789
Child Care and Education Quality	256,958	262,661	-	-	519,619
Family Support	405,109	40,225	-	-	445,334
Health and Safety	540,334	39,288	-	-	579,622
More at Four	-	2,354,489	-	-	2,354,489
Support:					
Fund Raising	76,958	1,016	-	-	77,974
Management and General	261,576	111,968	-	-	373,544
Program Coordination and Evaluation	62,518	78,509	-	-	141,027
Other:					
Sales Tax Paid	-	3,861	-	-	3,861
Total Expenditures	1,783,044	2,896,215	-	-	4,679,259
Excess of Receipts Over Expenditures	-	87,368	(38,429)	4,086	53,025
Net Assets at Beginning of Year	-	157,355	230,794	12,004	400,153
Net Assets at End of Year	\$ -	\$ 244,723	\$ 192,365	\$ 16,090	\$ 453,178
Net Assets Consisted of:					
Cash and Cash Equivalents	\$ 3,099	\$ 244,173	\$ 192,365	\$ -	\$ 439,637
Investments	-	1,985	-	-	1,985
Beneficial Interest in Community Foundation	-	-	-	16,090	16,090
Refunds Due From Contractors	11,310	-	-	-	11,310
	14,409	246,158	192,365	16,090	469,022
Less: Due to the State	14,409	-	-	-	14,409
Funds Held for Others	-	1,435	-	-	1,435
	\$ -	\$ 244,723	\$ 192,365	\$ 16,090	\$ 453,178

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

***Region A Partnership for Children
Statement of Functional Expenditures – Modified Cash Basis
For the Year Ended June 30, 2008***

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants
Smart Start Fund:								
Programs:								
Child Care and Education Affordability	\$ 179,591	\$ 114,964	\$ -	\$ 1,936	\$ 8,677	\$ 28	\$ 486	\$ 53,500
Child Care and Education Quality	256,958	-	-	-	-	-	-	256,958
Family Support	405,109	22,889	-	28,808	4,882	2,397	-	346,133
Health and Safety	540,334	15,949	-	723	5,210	90	-	518,362
	<u>1,381,992</u>	<u>153,802</u>	<u>-</u>	<u>31,467</u>	<u>18,769</u>	<u>2,515</u>	<u>486</u>	<u>1,174,953</u>
Support:								
Fund Raising	76,958	73,435	-	219	1,819	630	855	-
Management and General	261,576	130,175	5,176	34,458	68,182	9,739	13,846	-
Program Coordination and Evaluation	62,518	60,025	-	1,112	1,251	-	130	-
	<u>401,052</u>	<u>263,635</u>	<u>5,176</u>	<u>35,789</u>	<u>71,252</u>	<u>10,369</u>	<u>14,831</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 1,783,044</u>	<u>\$ 417,437</u>	<u>\$ 5,176</u>	<u>\$ 67,256</u>	<u>\$ 90,021</u>	<u>\$ 12,884</u>	<u>\$ 15,317</u>	<u>\$ 1,174,953</u>
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 4,198	\$ -	\$ -	\$ 1,130	\$ 3,068	\$ -	\$ -	\$ -
Child Care and Education Quality	262,661	102,093	79,994	5,289	8,580	65	-	66,640
Family Support	40,225	-	-	9,908	-	-	-	30,317
Health and Safety	39,288	26,573	4,678	185	4,503	740	-	2,609
More at Four	2,354,489	69,256	-	1,102	4,609	110	-	2,279,412
	<u>2,700,861</u>	<u>197,922</u>	<u>84,672</u>	<u>17,614</u>	<u>20,760</u>	<u>915</u>	<u>0</u>	<u>2,378,978</u>
Support:								
Fund Raising	1,016	-	-	-	16	1,000	-	-
Management and General	111,968	78,549	2,373	921	2,966	22,811	3,848	500
Program Coordination and Evaluation	78,509	-	-	97	46	-	-	78,366
	<u>191,493</u>	<u>78,549</u>	<u>2,373</u>	<u>1,018</u>	<u>3,028</u>	<u>23,811</u>	<u>3,848</u>	<u>78,866</u>
Other:								
Sales Tax Paid	3,861	-	-	3,861	-	-	-	-
Total Other Funds Expenditures	<u>\$ 2,896,215</u>	<u>\$ 276,471</u>	<u>\$ 87,045</u>	<u>\$ 22,493</u>	<u>\$ 23,788</u>	<u>\$ 24,726</u>	<u>\$ 3,848</u>	<u>\$ 2,457,844</u>

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

Region A Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Region A Partnership for Children (Region A Partnership) is a legally separate nonprofit organization incorporated on April 15, 1994. The Region A Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Region A 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 Region A 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.

Permanently restricted net assets include gifts and contributions that are limited by donor-imposed stipulations that never expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Region A Partnership. The net assets are invested in perpetuity with only the income from such investments available for program operations.

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

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.

Region A Partnership for Children
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 certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Investments** – This classification includes shares of certain equity securities donated to the Region A Partnership. The securities were recorded at fair market value at the date of contribution.
- F. Beneficial Interest in Community Foundation** – This classification consists of funds invested in an endowment fund with the Carolina Mountain Trust for Children and Youth Endowment as reported in Note 12.
- G. 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.
- H. 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.
- I. Funds Held For Others** – Funds held for others includes amounts received that are fiduciary in nature in which the Region A Partnership acts in an agency capacity. At the year ended June 30, 2008, the Region A Partnership was holding funds on behalf of Local Interagency Coordinating Councils and the Alley Children’s Fund.
- J. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Region A Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Region A 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, 2008. Donated items are recorded at estimated fair market value at the date of donation.

Region A Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- K. 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 10A.
- L. Use of Estimates** – The preparation of financial statements in conformity with the modified cash basis of accounting used by the Region A 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 Region A Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. Deposits over this amount subjects the Region A Partnership to a concentration of credit risk. At June 30, 2008, the Region A Partnership's bank deposits in excess of the FDIC insured limit was \$787,695.

NOTE 3 - INVESTMENTS

In previous years, Region A Partnership received two separate donations of stock certificates of publically traded corporations. The donations were recorded as unrestricted contributions – Other Funds. Under the modified cash basis of accounting, these investments are recorded at their carrying value which was established by their values at the date of donation. At their date of donation the amount for the two contributions totaled \$1,985.

At June 30, 2008, the fair market value of the two equity investments had a combined fair market value of \$642, for a combined unrealized loss of \$1,343.

NOTE 4 - FUNDING FROM GRANT AWARDS

More at Four – Region A Partnership's major source of revenue and support is from the State of North Carolina Departments of Public Instruction for the More at Four Program. Region A Partnership received \$2,344,786 during the fiscal year ended June 30, 2008 under a purchase of service contract. A significant reduction in the level of funding from the State could have an adverse effect on the operations of this program.

Region A Partnership expects to receive continued funding through new More at Four contracts with the State.

Region A Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 4 - FUNDING FROM GRANT AWARDS (CONTINUED)

Smart Start Program – Another Major source of revenue and support for the Region A Partnership 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 Region A Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Region A 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 Region A 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 Region A Partnership was awarded and received \$1,797,453 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Region A Partnership has returned \$14,409 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

Family Support Network – The Region A Partnership was awarded a total of \$37,270 and received \$33,432 in cost-reimbursement grants passed through the Family Support Network of North Carolina. The Region A Partnership has returned \$630 as a refund for a prior fiscal year. The Region A Partnership expects to receive continued funding through new Family Support Network grants.

Federal Awards

Appalachian Regional Commission (ARC) – The Region A Partnership was awarded a \$180,000 Success for Preschool grant to be used for school readiness and support. The Region A Partnership has received \$115,819 and expended \$96,414 from this grant during the fiscal year ended June 30, 2008. In addition, the Region A Partnership received \$40,455 and expended \$40,908 from an additional Success for Preschool grant awarded in a prior year. The Region A Partnership returned \$1,305 as a refund of interest income earned on funds during the prior fiscal year.

Region A Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 4 - FUNDING FROM GRANT AWARDS (CONTINUED)

Private Contributions

Kellogg SPARK – Supporting Partnerships to Assure Ready Kids (“SPARK”) – The Region A Partnership received a funding commitment of \$1,911,050 for the period June 2003 – May 2008 for the purpose of improving learning outcomes for children by strengthening partnerships and their efforts to align early learning resources, services, practices and policies.

The Region A Partnership received \$273,806 and expended \$299,773 of SPARK funds during the fiscal year ended June 30, 2008. In addition, \$2,282 of interest and investment earnings were received on SPARK funds deposited during the fiscal year ended June 30, 2008.

Other – An additional \$21,980 in Private donations and grants was received, some of which is a result of 100% participation in its Annual Campaign from Board members and staff.

NOTE 5 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations – The board members of the Region A Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Region A Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Region A 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 Region A Partnership’s Smart Start Allocation.

NOTE 6 - 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 Pre-K classes, Head Start wraparound and extended day, part-day care, child care transportation or supplemental quality programs.

Region A Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 6 - FUNCTIONAL EXPENDITURES (CONTINUED)

A. Program Functions (continued)

Child Care and Education Quality – Used to account for service activities including child care resource and referral, the SPARK initiative, salary supplements, provider training, special needs support for child care professionals, learning materials and teaching aids, transition to kindergarten, child care needs, and resource assessment.

Family Support – Used to account for service activities including family resource centers, ongoing parenting education, early intervention and education for families of children with special needs, and literacy projects.

Health and Safety – Used to account for service activities including oral health services, comprehensive screenings, prenatal and newborn services, child care health consultants, or special needs – early intervention services 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.

Program Coordination and Evaluation – Coordination includes expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Evaluation includes expenditures that are incurred to monitor the performance of service providers as to the delivery of services and adherence to the specific terms and conditions of the contracts.

Region A Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 7 - LEASE OBLIGATIONS

Operating Lease Obligations - Operating lease obligations relating to copier equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under operating lease obligations consist of the following at June 30, 2008:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2009	\$ 3,324
2010	3,324
2011	3,324
2012	2,493
Total Minimum Lease Payments	\$ 12,465

Rental expense for all operating leases during the year was \$3,765.

NOTE 8 - PENSION PLAN

Retirement Plans - The Region A Partnership has a Simplified Employee Pension Plan (SEP Plan) covering all full-time employees. Each full-time employee of the Region A Partnership established a SEP-IRA account through an external custodian. The Region A Partnership contributed 8.3% of gross wages for the year ended June 30, 2008. The Region A Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Region A Partnership contributed \$49,218 for pension benefits during the year.

NOTE 9 - RISK MANAGEMENT

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

Region A Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 10 - COMMITMENTS AND CONTINGENCIES

- A. Compensated Absences** – As a result of the Region A 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 \$29,548. Although unrestricted funds are sufficient to meet this commitment, no funds or reservation of net assets have been encumbered for this commitment.
- B. Loan Commitment** – The Region A Partnership had a note payable with a balance of \$143,633 at June 30, 2008. The proceeds were used for the sole purpose of financing a social enterprise. The note was secured by a negative pledge agreement on the Region A Partnership’s office building and payable to a bank in monthly installments of interest only in the amount of \$770. On October 2, 2008 all unpaid principle and accrued interest were due and payable. This was a modification to the original loan dated September 2, 2004. The interest rate was fixed at an annual rate of 5.875%. Per Note 13 below, the Region A Partnership management has renegotiated the loan.

NOTE 11 - 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>
SPARK – Kindergarten Transition/School Readiness	\$ 162,767
Appalachian Regional Commission - School Readiness	19,405
Duke Energy Grant	4,102
Family Support Network	2,899
LICC Mini-Grant	1,047
Adventures in Reading	657
Webster Child Development Center	625
Hayesville Child Development Center	481
Training Outreach	250
CP&L Haywood County Projects	112
ABCD Project	<u>20</u>
Total	<u>\$ 192,365</u>

Region A Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 11 - RESTRICTIONS ON NET ASSETS (CONTINUED)

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

<u>Purpose</u>	<u>Amount</u>
Family Support Network	\$ 767
Appalachian Regional Commission – School Readiness	1,509
Duke Endowment – HCC Model Childcare Center	29,654
Adventures in Reading	959
June T. Smith Leadership Award	335
SPARK – Kindergarten Transition/School Readiness	<u>188,734</u>
Total	<u>\$ 221,958</u>

NOTE 12 - BENEFICIAL INTERESTS

In 1995, the Region A Partnership, in conjunction with the Region A Child and Youth Planning Council, established the Carolina Mountain Trust for Children and Youth Endowment (the Endowment), through the North Carolina Community Foundation, Inc., for the purpose of supporting the planning and coordination of services to children, youth, and families in southwestern North Carolina. The principal balance of the Endowment at June 30, 2008 was \$16,090. The principal balance of the Endowment increased \$4,086 in the current year as a result of permanently restricted contributions received for the Endowment.

The Agreement between Region A Partnership and the North Carolina Community Foundation, Inc. provides that all the contributions to the Endowment are irrevocable. The Endowment, including all investment income, capital gains and subsequent contributions, are the property of the Endowment. The Endowment, subject to its spending policy, will make annual distributions of the income earned and may distribute all or any part of the Endowment at the Endowment's discretion. The agreement also permits the Endowment to substitute another beneficiary in the place of the Region A Partnership if it ceases to exist. Therefore, the Region A Partnership has explicitly granted variance power to the endowment.

In addition, during 2006, the Region A Partnership became a beneficiary of the Edward W. Jr. and Margaret G. Brown Endowment and the Edward and Margaret Brown Endowment for Save the Children and Region A Partnership (Brown Endowments). Annual distributions, if any, from these two endowments are prorated among beneficiaries. Distributions to the Region A Partnership are unrestricted and are included in private contributions in the Statement of Receipts, Expenditures, and Net Assets – Modified Cash basis.

Region A Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 12 - BENEFICIAL INTERESTS (CONTINUED)

Under the modified-cash basis of accounting, the Region A Partnership's beneficial interest in the Brown Endowments are not recorded on the books of the Region A Partnership. At June 30, 2008, the unaudited fund balances and the percent of the annual distribution participation rates, if any annual distributions occur, designated to the Region A Partnership are as follows:

	<u>Total Fund Balances</u>	<u>Annual Distribution Participation Rate</u>
The Edward W. Jr. and Margaret G. Brown Endowment	\$ 271,024	90%
The Edward and Margaret Brown Endowment for Save the Children and Region A Partnership for Children	530,281	10%

NOTE 13 - SUBSEQUENT EVENTS

In October 2008, the loan referenced in Note 10 – Commitments and Contingencies was renegotiated with an interest rate of 5.875% with 120 payments of \$1,592 including principle and interest. The future maturities are as follows:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2009	\$ 7,188	\$ 8,456 *
2010	11,317	7,783
2011	12,005	7,096
2012	12,734	6,367
2013	13,507	5,594
2014 and beyond	<u>86,882</u>	<u>114,981</u>
Total Loan Payments	<u>\$ 143,633</u>	<u>\$ 150,277</u>

* Includes interest paid during interest only period of July - October

Region A Partnership for Children

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
Paid to Organizations:				
Cherokee Central Elementary School	\$ -	\$ -	\$ 1,895	\$ -
Cherokee County Schools	-	-	368,942	-
Clay County Schools	* 27,125	-	181,560	-
Clay County Health Department	31,255	124	-	-
Communication Therapies	26,853	1,416	-	-
Family Resources of Cherokee County	81,164	336	-	-
Fontana Regional Library	* 50,351	-	-	-
Four Square Community Action	-	-	49,728	-
Graham County Board of Education	* 22,737	-	172,386	-
Graham County Health Department	28,624	-	-	-
Haywood Community College	-	-	138,670	-
Haywood County Consolidated Schools	* -	-	36,842	-
Haywood County Health Department	59,175	-	-	-
Haywood Public Library	20,804	-	-	-
Jackson County Health Department	* 83,132	7,882	-	-
Jackson County Schools	* -	-	185,201	-
KARE	56,204	597	30,317	-
Little Hands Playskool	-	-	37,260	-
Macon County Health Department	88,292	198	-	-
Macon County Schools	-	-	136,907	-
Macon Programs for Progress	* 129,575	-	376,289	-
Meridian Behavioral Health Services	132,525	-	70,409	-
Mountain Projects Inc.	* 53,500	-	94,488	-
Pam's Preschool	* -	-	41,518	-
Southwestern Child Development Commission	* 127,635	1,353	271,756	-
Swain County Health Department	23,995	-	-	-
Swain County	* 14,719	2	-	-
Swain County Schools	55,509	451	261,163	-
	<u>1,113,174</u>	<u>12,359</u>	<u>2,455,331</u>	<u>-</u>
Paid to Individuals:				
Quality Child Care Bonus Award	13,400	-	-	-
Channels for Child Care Advancement	-	-	500	-
Special Support for Children with Special Needs	54,104	-	-	-
Longs Chapel PreK/Childcare	* 300	-	-	-
National Fragile X Foundation	410	-	315	-
Child Care Expense Reimbursements	150	-	780	-
Scholarships/Bonus Awards	1,200	-	-	-
Program Incentives	4,058	-	-	-
Parents and Child Care Training	516	-	918	-
	<u>74,138</u>	<u>-</u>	<u>2,513</u>	<u>-</u>
	<u>\$ 1,187,312</u>	<u>\$ 12,359</u>	<u>\$ 2,457,844</u>	<u>\$ -</u>

* These organizations are represented on the Partnership's Board as described in Note 5 - Service Provider Contracts with Board Member Organizations.

***Region A Partnership for Children
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2008***

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$	\$ 458,795
* The Southwestern Child Development Commission, Inc.	940,738
	<u>\$ 1,399,533</u>

* This organization is represented on the Partnership's Board as described in Note 5 - 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 4 - Funding from Grant Awards.

**Region A Partnership for Children
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>
Federal Awards:				
Appalachian Regional Commission				
ARC Success for Preschool	23.011	NC-15186-05	\$ 40,455	\$ 40,908
ARC Success for Preschool - Prior Year			(1,305)	-
School Readiness Support Project	23.011	NC-15741-07	115,819	96,414
Total Federal Awards			<u>154,969</u>	<u>137,322</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	*		1,783,043	1,783,043
Multi-County Accounting and Contracting Grant			83,665	83,665
Pass through from University of North Carolina - Chapel Hill, the North Carolina Department of Health and Human Services, Division of Public Health Family Network of Region A (Fund 271)				
Family Support Network of Region A (Fund 271)		2-42951-SUB-12	2,270	2,270
Family Support Network of Region A (Fund 271)		5-41788	15,000	15,000
Family Support Network of Region A (Fund 271- Prior Year)			(630)	-
Family Support to Prevent Child Abuse and Neglect		541802	16,162	20,000
North Carolina Department of Public Instruction, Office of School Readiness				
More at Four Pre-Kindergarten Program		0069-08	2,344,786	2,253,837
Total State Awards			<u>4,244,296</u>	<u>4,157,815</u>
Total Federal and State Awards			<u>\$ 4,399,265</u>	<u>\$ 4,295,137</u>

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

***Region A Partnership for Children
Schedule of Property and Equipment – Modified Cash Basis
For the Year Ended June 30, 2008***

Schedule 4

Furniture and Noncomputer Equipment	\$ 15,775
Computer Equipment/Printers	93,205
Buildings	<u>175,064</u>
Total Property and Equipment	<u><u>\$ 284,044</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.

***Region A Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2008***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	184,085
In-Kind Goods and Services		<u>20,135</u>
Total	\$	<u>204,220</u>

Match Provided at the Contractor Level:

Cash	\$	110,502
In-Kind Goods and Services		<u>147,158</u>
Total	\$	<u>257,660</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
Region A Partnership for Children
Sylva, North Carolina

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

This report is intended solely for the information and use of the Region A Partnership's Board of Directors, management of the Region A 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
January 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. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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State of North Carolina
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Raleigh, North Carolina 27699-0601

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