

FINANCIAL STATEMENT AUDIT REPORT OF
ASHE COUNTY PARTNERSHIP FOR CHILDREN
JEFFERSON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2008

PERFORMED UNDER CONTRACT WITH THE
OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA
STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

ASHE COUNTY PARTNERSHIP FOR CHILDREN

JEFFERSON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

JULIE B. LANDRY, BOARD CHAIR

ADMINISTRATIVE OFFICER

SARAH L. WOLF, EXECUTIVE DIRECTOR



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, Ashe County Partnership for Children

This report presents the results of the financial statement audit of Ashe County Partnership for Children for the year ended June 30, 2008. Tichenor & Associates, 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 aspects. 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	15
2 Schedule of State Level Service Provider Contracts.....	16
3 Schedule of Federal and State Awards - Modified Cash Basis.....	17
4 Schedule of Property and Equipment - Modified Cash Basis.....	18
5 Schedule of Qualifying Match (Non-GAAP).....	19
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>	21
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	25
ORDERING INFORMATION	27

TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: WTICHENOR@TICHENORASSOCIATES.COM

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ashe County Partnership for Children
Jefferson, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis of the Ashe County Partnership for Children (Ashe 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 Ashe 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 Ashe County 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 October 30, 2008, on our consideration of the Ashe 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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ashe County 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.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

October 30, 2008

*Ashe County 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	\$ 425,029	\$ 235,242	\$ 53	\$ 0	\$ 660,324
Federal Awards		343,677			343,677
Local Awards		49,706			49,706
Private Contributions		194,893	60,107		255,000
Special Fund Raising Events		6,119	1,545		7,664
Interest and Investment Earnings		4,538			4,538
Building Rent Revenue		166,074			166,074
Accounting Services Reimbursements		64,547			64,547
Sales Tax Refunds		6,034			6,034
Other Receipts		30,193	21,743		51,936
Total Receipts	425,029	1,101,023	83,448		1,609,500
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions		66,707	(66,707)		
	425,029	1,167,730	16,741		1,609,500
Expenditures:					
Programs:					
Child Care and Education Affordability	79,224				79,224
Child Care and Education Quality	165,143	39,031			204,174
Domestic Violence		349,616			349,616
Family Central Operations		315,892			315,892
Family Support	32,263	388,031			420,294
Health and Safety	30,883				30,883
Support:					
Management and General	117,516	66,328			183,844
Other:					
Sales Tax Paid		4,912			4,912
Total Expenditures	425,029	1,163,810			1,588,839
Excess of Receipts Over Expenditures		3,920	16,741		20,661
Net Assets at Beginning of Year		(6,989)	101,281	34,136	128,428
Prior Period Adjustment			(4,481)	(24,136)	(28,617)
Net Assets at Beginning of Year as Restated		(6,989)	96,800	10,000	99,811
Net Assets at End of Year	\$ 0	\$ (3,069)	\$ 113,541	\$ 10,000	\$ 120,472
Net Assets Consisted of:					
Cash and Cash Equivalents	\$ 64	\$ (2,353)	\$ 113,775	\$ 0	\$ 111,486
Benefit Interest in the Community Foundation				10,000	10,000
Refunds Due from Contractors	4,817				4,817
	4,881	(2,353)	113,775	10,000	126,303
Less: Due to the State	4,881				4,881
Funds Held for Others		716	234		950
	\$ 0	\$ (3,069)	\$ 113,541	\$ 10,000	\$ 120,472

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

*Ashe County 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	Occupancy Expenditures	Services/Contracts/Grants
Smart Start Fund and Programs:									
Child Care and Education Affordability	\$ 79,224	\$ 62,377	\$ 0	\$ 2,063	\$ 930	\$ 0	\$ 0	\$ 13,854	\$ 0
Child Care and Education Quality	165,143	26,236	2,104	5,567	12,136	1,537	1,464	6,701	109,398
Family Support	32,263	21,213	599	8,603	1,435	413			
Health and Safety	30,883								30,883
	<u>307,513</u>	<u>109,826</u>	<u>2,703</u>	<u>16,233</u>	<u>14,501</u>	<u>1,950</u>	<u>1,464</u>	<u>20,555</u>	<u>140,281</u>
Support:									
Management and General	117,516	90,265	3,454	2,009	8,067	7,915		5,806	
Total Smart Start Fund Expenditures	<u>\$ 425,029</u>	<u>\$ 200,091</u>	<u>\$ 6,157</u>	<u>\$ 18,242</u>	<u>\$ 22,568</u>	<u>\$ 9,865</u>	<u>\$ 1,464</u>	<u>\$ 26,361</u>	<u>\$ 140,281</u>
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 39,031	\$ 25,392	\$ 825	\$ 2,140	\$ 8,605	\$ 199	\$ 112	\$ 1,758	\$ 0
Domestic Violence	349,616	192,876	1,665	8,618	23,225	95,805	3,471	11,944	12,012
Family Central Operations	315,892	128,839	1,610	11,522	86,999	52,294	90,070	(55,442)	
Family Support	388,031	164,505	12,694	3,012	22,188	2,230	2,662	21,762	158,978
	<u>1,092,570</u>	<u>511,612</u>	<u>16,794</u>	<u>25,292</u>	<u>141,017</u>	<u>150,528</u>	<u>96,315</u>	<u>(19,978)</u>	<u>170,990</u>
Support:									
Management and General	66,328	60,049	440	461	2,370	1,151	100	1,317	440
Other:									
Sales Tax Paid	4,912			4,912					
Total Other Funds Expenditures	<u>\$ 1,163,810</u>	<u>\$ 571,661</u>	<u>\$ 17,234</u>	<u>\$ 30,665</u>	<u>\$ 143,387</u>	<u>\$ 151,679</u>	<u>\$ 96,415</u>	<u>\$ (18,661)</u>	<u>\$ 171,430</u>

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

ASHE COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Ashe County Partnership for Children (Ashe Partnership) is a legally separate nonprofit organization incorporated on January 17, 1995. The Ashe Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Ashe 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 Ashe 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 neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Ashe 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. Amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. In addition, Smart Start funds advanced to the local Partnership that are unexpended and unearned at year-end are recorded as a Due to the State.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Investments** - This classification consists of funds invested in an endowment fund with the North Carolina Community Foundation, Inc. as reported in Note 11.
- F. 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.
- G. 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.
- H. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Ashe Partnership acts in an agency capacity.
- I. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Ashe Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Ashe 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

J. 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.

K. Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Ashe 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 Ashe 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 Ashe Partnership to a concentration of credit risk. At June 30, 2008, the Ashe Partnership's bank deposits in excess of the FDIC insured limit was \$53,083.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Ashe 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 Ashe 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 Ashe Partnership was awarded and has received \$429,960 under a current year Smart Start contract with NCPC. The unexpended balance of this contract

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

is subject to reversion to the State. The Ashe Partnership has returned \$4,881 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

Even Start Program - The Ashe Partnership received additional revenue and support from the United States Department of Education, which passed through the State of North Carolina based on a cost-reimbursement contract with the Department of Public Instruction (DPI) for the Even Start Program.

The Ashe Partnership was awarded \$127,000 under a current year contract with DPI and has received \$88,233 of this amount. The unexpended balance of this contract is subject to reversion to the State. The Ashe Partnership expects to receive continued funding through new Even Start Program contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

B. Other Related Parties - The Ashe County Children's Trust Endowment Committee consists of seven voting members, two of which are Ashe Partnership board members. The purpose of the Committee is to provide financial resources for programs conducted by the Ashe County 4-H and the Ashe Partnership to enrich the quality of life for all children in Ashe County. This bank account is maintained by the Ashe County Cooperative Extension office (4-H).

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 child care cost supports and part-day programs.

Child Care and Education Quality - Used to account for service activities including child care resource and referral services and professional development.

Domestic Violence - Used to account for activities associated with providing assistance services for victims and survivors of domestic violence and family crisis intervention.

Family Central Operations - Used to account for activities to provide adequate and affordable space for non-profit organizations and to promote the coordinated delivery of family services.

Family Support - Used to account for service activities including general family support, literacy projects, community outreach, and information and resources.

Health and Safety - Used to account for service activities including oral health services, comprehensive screenings and prenatal/newborn services.

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.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Allocated based on employee time reports.

Other Costs - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were allocated based on utilization data.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

D. Occupancy Costs

The Ashe Partnership leases and operates Family Central as a facility to provide affordable and adequate space for various non-profit organizations and functions within the Partnership. The costs of operating Family Central (salaries, contracted services, supplies and materials, other operating expenses, fixed charges and other expenses, and property and equipment) are allocated to the various programs based on the square footage used by each program. The cost allocated per square footage for the 2008 year was \$5.30.

Family Central operations costs totaling \$55,442 were distributed across program activities, including \$26,361 specifically allocated to the Smart Start services and administrative contract. An Occupancy Costs column has been added to the Statement of Functional Expenditures - Modified Cash Basis to indicate how these costs were distributed across programs. This column allows for a more accurate presentation of costs by program and functional category.

NOTE 6 - OPERATING LEASE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Operating Leases</u>
2009	\$ 6,934
2010	6,934
2011	6,934
2012	6,934
2013	4,622
Total Minimum Lease Payments	<u>\$ 32,358</u>

Rental expense for all operating leases during the year was \$7,892.

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 Ashe Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Ashe Partnership contributed 5% of gross wages for the year ended June 30, 2008. The employee's eligible contributions, made through salary

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Ashe Partnership contributed \$15,901 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Ashe 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 Ashe 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 Ashe 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 Ashe 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 \$18,988. No funds or reservation of net assets has been made for this commitment.
- B. Line of Credit** - The Ashe Partnership opened a \$35,000 variable rate line of credit on June 30, 2008. The line of credit is open-ended, allowing the Partnership to draw funds when needed, during the one year term of the agreement. The Partnership drew \$12,000 under the line of credit, on July 1, 2008.
- C. Loan Commitment** - The Ashe Partnership has a note with a balance of \$403,763 at June 30, 2008, that is secured by the Family Central building

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

complex which the Ashe Partnership leases from Ashe County and by the income of the organization. The note is payable to the United States Department of Agriculture, Rural Housing Service in annual installments of \$38,440. This amount includes principal and interest computed at an annual rate of 4.5%.

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

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2009	\$ 20,271	\$ 18,169
2010	21,183	17,257
2011	22,136	16,304
2012	23,132	15,308
2013	24,173	14,267
2014-2018	138,196	54,004
2019-2023	<u>154,672</u>	<u>19,983</u>
Total Loan Payments	<u>\$ 403,763</u>	<u>\$ 155,292</u>

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>
Appalachian State University Energy Grant	\$ 351
Domestic Violence	53,390
Imagination Library	4,599
Individual Development Account	125
Smiths Aerospace Components	5,000
Thrift Shop Operations	22,890
Tobacco Trust	53
Z. Smith Reynolds - Capacity Building	12,439
Z. Smith Reynolds - Kitchen	<u>14,694</u>
	<u>\$ 113,541</u>

NOTES TO THE FINANCIAL STATEMENTS (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>
Community Kitchen Private Funds	\$ 6,080
Capital Campaign	1,274
Domestic Violence	39,790
Imagination Library	6,695
Individual Development Account	19
Thrift Shop Operations	7,240
Z. Smith Reynolds - Kitchen	<u>5,609</u>
	<u>\$ 66,707</u>

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purpose at June 30, 2008:

<u>Purpose</u>	<u>Amount</u>
Ashe County Children's Trust Endowment	<u>\$ 10,000</u>

The Ashe County Children's Trust Endowment (Endowment) was established through the North Carolina Community Foundation, Inc. (Foundation) on March 22, 1999. The Ashe Partnership established the Endowment in conjunction with the Ashe County 4-H and its purpose is devoted to the support of the Ashe Partnership and the Ashe County 4-H programs. The Ashe Partnership presents the above amount as a beneficial interest in the foundation.

The agreement between the Ashe Partnership, the Ashe County 4-H, and the Foundation provides that all the contributions to the Endowment are irrevocable. The Endowment, including all investment income, capital gains, and subsequent contributions, are the Foundation's property. The Foundation will make annual distributions of the income earned on the Endowment, subject to Foundation's spending policy. The Foundation may distribute all or any part of the Endowment at the Foundation's discretion; however, it is the Foundation's general policy that a substantial part of the Endowment remains as a permanent endowment of the Foundation. The agreement also permits the

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Foundation to substitute another beneficiary in the place of the Ashe Partnership and the Ashe County 4-H if both organizations cease to exist. Therefore, the Ashe Partnership and Ashe County 4-H have explicitly granted variance power to the Foundation.

The Ashe Partnership's endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as a Benefit Interest in the Community Foundation. The amount invested with the Foundation by the Partnership has been identified on the Ashe Partnership's financial statement. At June 30, 2008 the Endowment had a market value of \$54,870.

NOTE 12 - PRIOR PERIOD ADJUSTMENT - RECLASSIFICATION OF NET ASSETS

During the year ended June 30, 2008, it was determined that certain assets were incorrectly classified as temporarily and permanently restricted at June 30, 2007. These amounts, totaling \$28,617, have been reclassified through a prior period adjustment on Exhibit A.

NOTE 13 - DEFICIT NET ASSETS

The deficit net assets at June 30, 2008 in Other Funds of \$3,069 is due to the Ashe Partnership having expenditures in excess of receipts for a grant. The Ashe Partnership was reimbursed by the grantor for these expenditures after June 30, 2008.

***Ashe County 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
<i>Paid to Organizations:</i>				
Appalachian District Health Department	* \$ 35,700	\$ 4,817	\$ 0	\$ 0
Ashe County Cooperative Extension	*		149,283	
Wilkes Community College	* 108,958			
	<u>144,658</u>	<u>4,817</u>	<u>149,283</u>	
<i>Paid to Individuals:</i>				
Child Care Resources and Referral - Individual Provider Training	* 440			
Imagination Library Participants - Dollywood Foundation			9,527	
Individual Development Account Program			140	
Individual Domestic Violence Grants			12,080	
Subsidy Clients			400	
	<u>440</u>		<u>22,147</u>	
	<u>\$ 145,098</u>	<u>\$ 4,817</u>	<u>\$ 171,430</u>	<u>\$ 0</u>

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

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

Schedule 2

Organization Name	DHHS Contracts
Ashe County Department of Social Services	* \$ <u>187,147</u>

* These organizations are represented on the Partnership's Board as described in Note 4A - 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.

Ashe County Partnership for Children
 Schedule of Federal and State Awards
 For the Year Ended June 30, 2008

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number		Contract #	Receipts	Expenditures
Federal Awards:					
US Department of Agriculture, Agriculture Marketing Service					
Farmers' Market Promotion Program	10.168		12-25-G-0507	\$ 11,990	\$ 0
US Department of Agriculture, Rural Development					
Community Facilities Loans and Grants	10.766	**	N/A		403,763
US Department of Education					
Pass-through from the North Carolina Department of Public Instruction					
Pass-through from the Ashe County Board of Education					
Even Start Family Literacy (Prior Year)	84.213		N/A	24,934	15,915
Even Start Family Literacy (Current Year)	84.213	*	N/A	88,233	94,454
US 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 Childcare Resources, Inc.					
Pass-through from the Iredell County Partnership for Young Children					
Child Care Resource and Referral (Prior Year)	93.575		312-ASH	9,516	
Child Care Resource and Referral (Current Year)	93.575		407-ASH	33,047	33,047
US Department of Health and Human Services					
Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services					
Family Resource Center/Family Support	93.556	*	01101-08	63,355	86,490
US Department of Health and Human Services					
Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services					
Family Violence Prevention (Prior Year)	93.671		450.07	11,663	4,692
Family Violence Prevention (Current Year)	93.671		450.08	18,255	22,356
US Department of Housing and Urban Development					
Pass-through from the North Carolina Department of Commerce					
Pass-through from Ashe County					
Community Development Block Grant - IDA Program	14.228		N/A	3,194	1,000
US Department of Justice					
Office of Juvenile Justice and Delinquency Prevention					
Pass-through from the North Carolina Department of Crime Control and Public Safety					
Division of Governor's Crime Commission					
ASHE - A Safe Home for Everyone	16.575		005-1-06-A14-AV-092	79,490	78,198
Total Federal Awards				<u>343,677</u>	<u>739,915</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		*	N/A	425,029	425,029
Multi-County Accounting and Contracting Grant			N/A	11,665	11,665
North Carolina Department of Administration					
Council for Women and Domestic Violence Commission					
Domestic Violence Grant (Prior Year)			N/A		1
Domestic Violence Grant (Current Year)			N/A	49,338	49,338
Marriage License Grant (Prior Year)			N/A		2
Marriage License Grant (Current Year)			N/A	8,873	11,913
North Carolina Department of Juvenile Justice and Delinquency Prevention					
Save Our Students Community Program for Ashe County		*	N/A	75,830	75,830
Save Our Students Community Program for Alleghany County		*	N/A	76,500	76,500
North Carolina Tobacco Trust Commission					
Tobacco Trust Grant (CPV)			2007-054-25	13,089	13,089
Total State Awards				<u>660,324</u>	<u>663,367</u>
Total Federal and State Awards				<u>\$ 1,004,001</u>	<u>\$ 1,403,282</u>

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

** Major Program per OMB Circular A-133

Notes to the Schedule of Federal and State Awards - Modified Cash Basis

1. The accompanying schedule of federal and state awards include the federal and state grant activity of the Ashe County Partnership for Children and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

2. Loan Outstanding

Ashe County Partnership for Children had the following loan balance outstanding at June 30, 2008. This loan balance outstanding is also included in the federal expenditures presented in the schedule. This loan has been included on the schedule due to the continuing federal compliance requirements.

Program Title	CFDA Number	Pass-Through Number	Grantor's Amount Outstanding
Building Renovations	10.766	N/A	\$ 403,763

***Ashe County Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2008***

Schedule 4

Furniture and Noncomputer Equipment	\$	208,554
Computer Equipment/Printers		67,806
Buildings and Land		210,915
Leasehold Improvements		1,287,256
Motor Vehicles		35,797
		<hr/>
Total Property and Equipment	\$	<u>1,810,328</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.

***Ashe County 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	\$	27,409
In-Kind Goods and Services		<u>11,158</u>
	\$	<u><u>38,567</u></u>

Match Provided at the Contractor Level:

Cash	\$	12,440
In-Kind Goods and Services		<u>23,004</u>
	\$	<u><u>35,444</u></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.

[This Page Left Blank Intentionally]

TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: WTICHENOR@TICHENORASSOCIATES.COM

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
Ashe County Partnership for Children
Jefferson, North Carolina

We have audited the financial statements of the Ashe County Partnership for Children (Ashe Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 30, 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 Ashe 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 Ashe Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ashe 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 Ashe 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 Ashe Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Ashe 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 Ashe 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 Ashe 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 Ashe Partnership's Board of Directors, management of the Ashe 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.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

October 30, 2008

TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: WTICHENOR@TICHENORASSOCIATES.COM

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Ashe County Partnership for Children
Jefferson, North Carolina

Compliance

We have audited the compliance of the Ashe County Partnership for Children (Ashe Partnership) with the types of compliance requirements described in the United State Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. Ashe Partnership's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Ashe Partnership's management. Our responsibility is to express an opinion on Ashe Partnership's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ashe Partnership's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ashe Partnership's compliance with those requirements.

In our opinion, the Ashe Partnership complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 (CONCLUDED)**

Internal Control Over Compliance

The management of Ashe Partnership is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ashe Partnership's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Ashe Partnership's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that it is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

Tichenor & Associates, LLP

Tichenor & Associates, LLP

October 30, 2008

**ASHE COUNTY PARTNERSHIP FOR CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major federal programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

II. Financial Statement Audit Findings

None

III. Major Federal Awards Programs - Findings and Questioned Costs

None

[This Page Left Blank Intentionally]

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:

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