

**CATAWBA COUNTY PARTNERSHIP
FOR CHILDREN
Hickory, 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
CATAWBA COUNTY PARTNERSHIP FOR CHILDREN**

HICKORY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

BILL CABLE, BOARD CHAIR

ADMINISTRATIVE OFFICER

KIM SALYARDS, 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, Catawba County Partnership for Children

This report presents the results of the financial statement audit of Catawba County 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 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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Catawba County Partnership for Children
Hickory, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Catawba County Partnership for Children (Catawba County Partnership) as of and for the year ended 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 Catawba County 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 Catawba 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 January 31, 2009 on our consideration of the Catawba County 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 Catawba 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.

Clifton Henderson LLP

Raleigh, North Carolina
January 31, 2009

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

	<u>Unrestricted Funds</u>			<u>Total Funds</u>
	<u>Smart Start Fund</u>	<u>Other Funds</u>	<u>Temporarily Restricted</u>	
Receipts:				
State Awards	\$ 2,048,153	\$ 1,078,431	-	\$ 3,126,584
Federal Awards	-	51,574	-	51,574
Private Contributions	-	42,609	67,280	109,889
Interest & Investment Earnings	-	9,587	-	9,587
Sales Tax Refunds	-	1,542	-	1,542
Other Receipts	-	1,138	-	1,138
Total Receipts	<u>2,048,153</u>	<u>1,184,881</u>	<u>67,280</u>	<u>3,300,314</u>
Net Assets Released from Restrictions	<u>-</u>	<u>17,614</u>	<u>(17,614)</u>	<u>-</u>
	<u>2,048,153</u>	<u>1,202,495</u>	<u>49,666</u>	<u>3,300,314</u>
Expenditures:				
Programs:				
Child Care and Education Affordability	-	51,574	-	51,574
Child Care and Education Quality	654,062	6,085	-	660,147
Family Support	761,333	5,950	-	767,283
Health and Safety	326,232	50,354	-	376,586
More at Four	-	1,023,661	-	1,023,661
Support:				
Management and General	253,246	27,180	-	280,426
Program Coordination and Evaluation	53,280	-	-	53,280
Other:				
Sales Tax Paid	-	1,915	-	1,915
Total Expenditures	<u>2,048,153</u>	<u>1,166,719</u>	<u>-</u>	<u>3,214,872</u>
Excess of Receipts Over Expenditures	<u>-</u>	<u>35,776</u>	<u>49,666</u>	<u>85,442</u>
Net Assets at Beginning of Year	<u>-</u>	<u>94,441</u>	<u>17,614</u>	<u>112,055</u>
Net Assets at End of Year	<u>\$ -</u>	<u>\$ 130,217</u>	<u>\$ 67,280</u>	<u>\$ 197,497</u>
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 422	\$ 130,217	\$ 67,280	\$ 197,919
Refunds Due From Contractors	<u>2,615</u>	<u>-</u>	<u>-</u>	<u>2,615</u>
	3,037	130,217	67,280	200,534
Less: Due to the State	<u>3,037</u>	<u>-</u>	<u>-</u>	<u>3,037</u>
TOTAL NET ASSETS	<u>\$ -</u>	<u>\$ 130,217</u>	<u>\$ 67,280</u>	<u>\$ 197,497</u>

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

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

Exhibit B

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/ Contracts/ Grants</u>
Smart Start Fund:								
Programs:								
Child Care and Education Quality	\$ 654,062	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 654,062
Family Support	761,333	-	-	-	-	-	-	761,333
Health and Safety	326,232	-	-	-	-	-	-	326,232
	<u>1,741,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,741,627</u>
Support:								
Management and General	253,246	199,412	1,690	4,534	21,263	25,476	871	-
Program Coordination and Evaluation	53,280	45,538	-	32	4,113	2,938	659	-
	<u>306,526</u>	<u>244,950</u>	<u>1,690</u>	<u>4,566</u>	<u>25,376</u>	<u>28,414</u>	<u>1,530</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 2,048,153</u>	<u>\$ 244,950</u>	<u>\$ 1,690</u>	<u>\$ 4,566</u>	<u>\$ 25,376</u>	<u>\$ 28,414</u>	<u>\$ 1,530</u>	<u>\$ 1,741,627</u>
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 51,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,574
Child Care and Education Quality	6,085	-	-	565	507	771	-	4,242
Family Support	5,950	-	-	-	450	-	-	5,500
Health and Safety	50,354	11,840	-	71	1,926	33	-	36,484
More at Four	1,023,661	-	3,065	3,473	2,081	4,403	869	1,009,770
	<u>1,137,624</u>	<u>11,840</u>	<u>3,065</u>	<u>4,109</u>	<u>4,964</u>	<u>5,207</u>	<u>869</u>	<u>1,107,570</u>
Support:								
Management and General	27,180	12,900	11,665	1,017	1,598	-	-	-
Other:								
Sales Tax Paid	1,915	-	-	1,915	-	-	-	-
Total Other Funds Expenditures	<u>\$ 1,166,719</u>	<u>\$ 24,740</u>	<u>\$ 14,730</u>	<u>\$ 7,041</u>	<u>\$ 6,562</u>	<u>\$ 5,207</u>	<u>\$ 869</u>	<u>\$ 1,107,570</u>

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

Catawba County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Catawba County Partnership for Children (Catawba County Partnership) is a legally separate nonprofit organization incorporated on August 23, 1994. The Catawba County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Catawba County 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 Catawba County Partnership's Board of Directors is responsible. Pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this Statement, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

Contributions that are temporarily restricted and not expended within the year received are reported as an increase in temporarily restricted net assets. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Receipts, Expenditures, and Net Assets as net assets released from restrictions.

The Catawba County Partnership did not have any permanently restricted net assets at June 30, 2008.

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

Catawba County 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. Refunds Due From Contractors** – Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- F. Due to the State** – The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Catawba County Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Catawba County 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.
- H. Compensated Absences** – As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.
- I. Use of Estimates** – The preparation of financial statements in conformity with the modified cash basis of accounting used by the Catawba County 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.

Catawba County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 2 - DEPOSITS

All funds of the Catawba County 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 Catawba County Partnership to a concentration of credit risk. At June 30, 2008, the Catawba County Partnership's bank deposits in excess of the FDIC insured limit was \$240,487.

NOTE 3 - FUNDING FROM GRANT AWARDS

Smart Start Program – The Catawba County 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 Catawba County Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Catawba County 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 Catawba County 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 Catawba County Partnership was awarded and has received \$2,051,190 under a current year Smart Start contract with NCPC the unexpended balance of this contract is subject to reversion to the State. The Catawba County Partnership has returned \$3,037 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

More at Four – The Catawba County Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Catawba County Partnership was awarded \$1,083,106 and received \$1,066,766 under the current year contract. The Catawba County Partnership expects to receive continued funding through new More at Four contracts with the State.

Early Learning Opportunities Act Grant – The Catawba County Partnership also received revenue and support from the U.S. DHHS by the Administration for Children, Youth and Families. The Catawba Partnership was awarded \$394,060 and received \$51,574 as of June 30, 2008.

Catawba County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 4 - RELATED PARTY TRANSACTIONS

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

NOTE 5 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis. Also, the Statement of Functional Expenditures – Modified Cash Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

A. Program Functions

Child Care and Education Affordability – Used to account for service activities including Pre-K/Preschool classes and Head Start expansion.

Child Care and Education Quality – Used to account for service activities including quality enhancement maintenance, child care resource and referral, professional development, child care substitutes, salary supplements, and learning materials and teaching aids.

Family Support – Used to account for service activities including ongoing parenting education, general family support, and family crisis intervention.

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

More at Four – Used to account for development and implementation of More at Four Pre-Kindergarten program for at risk four year olds who are at risk of failure in kindergarten.

Catawba County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)

B. Support Function

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 – Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

NOTE 6 - OPERATING LEASE OBLIGATIONS

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	\$ 55,151
2010	13,280
Total Minimum Lease Payments	\$ 68,431

Rental expense for all operating leases during the year was \$22,411.

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 (the Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the Catawba County Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Catawba County Partnership contributed 5% of gross wages for the year ended June 30, 2008. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Catawba County Partnership contributed \$9,540 for retirement benefits during the year.

Catawba County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 8 - RISK MANAGEMENT

The Catawba County 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 Catawba County 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 Catawba County 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 Catawba County 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 \$16,008. No funds or reservation of net assets has been made for this commitment.
- B. Commitments on Contracts** – The Catawba County Partnership had outstanding commitments of \$33,224 on cost-reimbursement contracts that had not been paid at June 30, 2008.

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>
NAPP SACC	\$ 50
Inclusion Support – United Way	25,395
More-at-Four Expansion	34,335
Ready School	<u>7,500</u>
Total	<u>\$ 67,280</u>

Catawba County Partnership for Children
Notes to Financial Statements
June 30, 2008

NOTE 10 - 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>
Information and Resources – Family Fair	\$ 58
Inclusion Support – United Way	<u>17,556</u>
Total	<u>\$ 17,614</u>

This information is an integral part of the accompanying financial statements.

***Catawba 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>				
Catawba County Public Health	* \$ 303,439	\$ 2,168	\$ 2,003	\$ -
Catawba County Schools	* 568,984	-	412,444	-
Children's Resource Center	* 212,680	-	742	-
Catawba County Department of Social Services	* 577,179	-	-	-
Sipes Orchard Home	24,960	-	146,796	-
Children's Advocacy Center	15,400	-	1,000	-
Catawba Valley Community College	* 41,600	447	-	-
Newton-Conover Public Schools	* -	-	212,420	-
Puckett Institute	-	-	51,574	-
Hickory City Public Schools	* -	-	245,110	-
	<u>1,744,242</u>	<u>2,615</u>	<u>1,072,089</u>	<u>-</u>
<i>Paid to Individuals:</i>				
Inclusion Grants	-	-	23,736	-
Program Income Awarded	-	-	8,245	-
"Champions for Children" Awards	-	-	3,500	-
	<u>-</u>	<u>-</u>	<u>35,481</u>	<u>-</u>
	<u>\$ 1,744,242</u>	<u>\$ 2,615</u>	<u>\$ 1,107,570</u>	<u>\$ -</u>

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

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

Schedule 2

Organization Name	DHHS Contracts
* Catawba County Department of Social Services	\$ 1,444,548
Child Care Services Association - WAGE\$ Program	<u>269,790</u>
	<u><u>\$ 1,714,338</u></u>

* This organization is represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards.

Catawba County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
U.S. Department of Health and Human Services				
Administration for Children, Youth and Families				
Pass-through from The North Carolina Partnership for Children, Inc.				
Early Learning Opportunities Act	93.577		\$ 51,574	\$ 51,574
Total Federal Awards			<u>51,574</u>	<u>51,574</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 *		N/A	2,048,153	2,048,153
Multi-County Accounting and Contracting Grant		N/A	11,665	11,665
North Carolina Department of Health and Human Services				
More at Four Pre-Kindergarten Program *		20900044090018-06	1,066,766	1,026,697
Total State Awards			<u>3,126,584</u>	<u>3,086,515</u>
Total Federal and State Awards			<u>\$ 3,178,158</u>	<u>\$ 3,138,089</u>

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

***Catawba 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	\$ 19,249
Computer Equipment/Printers	<u>9,402</u>
Total Property and Equipment	<u><u>\$ 28,651</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.

***Catawba 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	\$	95,676
In-Kind Goods and Services		<u>2,888</u>
	\$	<u><u>98,564</u></u>

Match Provided at the Contractor Level:

Cash	\$	231,935
In-Kind Goods and Services		<u>96,237</u>
	\$	<u><u>328,172</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.

**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
Catawba County Partnership for Children
Hickory, North Carolina

We have audited the financial statements of the Catawba County Partnership for Children (Catawba County 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 Catawba County 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 Catawba County Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Catawba County 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 Catawba County 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 Catawba County Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Catawba County 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 Catawba County 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 Catawba County 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 Catawba County Partnership's Board of Directors, management of the Catawba County 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

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