

**FINANCIAL STATEMENT AUDIT REPORT OF  
ALBEMARLE SMART START PARTNERSHIP, INC.**

**ELIZABETH CITY, NORTH CAROLINA**

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

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

**LESLIE W. MERRITT, JR., CPA, CFP  
STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**ALBEMARLE SMART START PARTNERSHIP, INC.**

**ELIZABETH CITY, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**JULIE LEMOND , BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**DR. DENAUVO ROBINSON, EXECUTIVE DIRECTOR**



Leslie W. Merritt, Jr.,  
CPA, CFP  
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.osa.state.nc.us>

---

**AUDITOR'S TRANSMITTAL**

---

The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Directors, Albemarle Smart Start Partnership, Inc.

This report presents the results of our financial statement audit of Albemarle Smart Start Partnership, Inc. for the year ended June 30, 2008. Langdon & Company 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.

*Leslie W. Merritt, Jr.*

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

# TABLE OF CONTENTS

---

	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
FINANCIAL STATEMENTS	
EXHIBITS	
A    Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis .....	3
B    Statement of Functional Expenditures – Modified Cash Basis.....	4
Notes to the Financial Statements.....	5
SUPPLEMENTARY SCHEDULES	
1    Schedule of Contract and Grant Expenditures – Modified Cash Basis .....	13
2    Schedule of State Level Service Provider Contracts.....	14
3    Schedule of Federal and State Awards – Modified Cash Basis .....	15
4    Schedule of Property and Equipment – Modified Cash Basis .....	16
5    Schedule of Qualifying Match (Non-GAAP).....	17
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	19
ORDERING INFORMATION .....	21

---

**INDEPENDENT AUDITOR'S REPORT**

---

Board of Directors  
Albemarle Smart Start Partnership, Inc.  
Elizabeth City, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of Albemarle Smart Start Partnership, Inc. (Albemarle 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 Albemarle 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 Albemarle Smart Start Partnership, Inc. 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 November 30, 2008, on our consideration of the Albemarle 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 Albemarle Smart Start Partnership, Inc.'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.

*Langdon & Company*

Garner, North Carolina  
November 30, 2008

**Albemarle Smart Start Partnership, Inc.**  
**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis**  
**For the Year Ended June 30, 2008**

**Exhibit A**

	Unrestricted Funds		Temporarily	Total
	Smart Start Funds	Other Funds	Restricted Funds	
<b>Receipts:</b>				
State Awards	\$ 1,621,604	\$ 80,927	\$ 0	\$ 1,702,531
Federal Awards		248,992		248,992
Private Contributions		2,905	797	3,702
Interest and Investment Earnings		6,536		6,536
Sales Tax Refunds		8,467		8,467
Other Receipts		27,712		27,712
<b>Total Receipts</b>	<b>1,621,604</b>	<b>375,539</b>	<b>797</b>	<b>1,997,940</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		63,656	(63,656)	
	<u>1,621,604</u>	<u>439,195</u>	<u>(62,859)</u>	<u>1,997,940</u>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	34,000			34,000
Child Care and Education Quality	607,401	312,344		919,745
Family Support	300,051	657		300,708
Health and Safety	285,989	23,929		309,918
Support:				
Management and General	313,237	7,039		320,276
Program Coordination and Evaluation	80,926			80,926
Other:				
Refund of Prior Year Grant		22,337		22,337
Sales Tax Paid		7,986		7,986
<b>Total Expenditures</b>	<b>1,621,604</b>	<b>374,292</b>	<b>0</b>	<b>1,995,896</b>
<b>Excess of Receipts Over Expenditures</b>	<b>0</b>	<b>64,903</b>	<b>(62,859)</b>	<b>2,044</b>
<b>Net Assets at Beginning of Year</b>	<b>0</b>	<b>59,997</b>	<b>139,515</b>	<b>199,512</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ 124,900</b>	<b>\$ 76,656</b>	<b>\$ 201,556</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 33,030	\$ 124,900	\$ 76,656	\$ 234,586
Refunds Due From Contractors	6,135			6,135
	39,165	124,900	76,656	240,721
Less: Due to State	39,165			39,165
	<u>\$ 0</u>	<u>\$ 124,900</u>	<u>\$ 76,656</u>	<u>\$ 201,556</u>

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

**Albemarle Smart Start Partnership, Inc.**  
**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
<b>Smart Start Funds:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 34,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,000
Child Care and Education Quality	607,401	317,929		14,372	78,440	13,791	23,727	159,142
Family Support	300,051	123,008		4,163	38,386	5,764	1,769	126,961
Health and Safety	285,989	93,098		3,935	19,899	9,138	1,229	158,690
	<u>1,227,441</u>	<u>534,035</u>	<u>0</u>	<u>22,470</u>	<u>136,725</u>	<u>28,693</u>	<u>26,725</u>	<u>478,793</u>
<b>Support:</b>								
Management and General	313,237	251,096	2,855	4,176	38,486	13,105	3,519	
Program Coordination and Evaluation	80,926	31,716	45,483	297	3,109	321		
	<u>394,163</u>	<u>282,812</u>	<u>48,338</u>	<u>4,473</u>	<u>41,595</u>	<u>13,426</u>	<u>3,519</u>	<u>0</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 1,621,604</u>	<u>\$ 816,847</u>	<u>\$ 48,338</u>	<u>\$ 26,943</u>	<u>\$ 178,320</u>	<u>\$ 42,119</u>	<u>\$ 30,244</u>	<u>\$ 478,793</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 312,344	\$ 226,446	\$ 0	\$ 4,016	\$ 38,878	\$ 10,952	\$ 1,782	\$ 30,270
Family Support	657			157				500
Health and Safety	23,929	15,986		1,671	4,023	1,557		692
	<u>336,930</u>	<u>242,432</u>	<u>0</u>	<u>5,844</u>	<u>42,901</u>	<u>12,509</u>	<u>1,782</u>	<u>31,462</u>
<b>Support:</b>								
Management and General	7,039	38	390	1,427	4,268	684	232	0
<b>Other:</b>								
Refund of Prior Year Grant	22,337				22,337			
Sales Tax Paid	7,986			7,986				
	<u>30,323</u>	<u>0</u>	<u>0</u>	<u>7,986</u>	<u>22,337</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Other Funds Expenditures</b>	<u>\$ 374,292</u>	<u>\$ 242,470</u>	<u>\$ 390</u>	<u>\$ 15,257</u>	<u>\$ 69,506</u>	<u>\$ 13,193</u>	<u>\$ 2,014</u>	<u>\$ 31,462</u>

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



**ALBEMARLE SMART START PARTNERSHIP, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Albemarle Smart Start Partnership, Inc. (Albemarle Partnership) is a legally separate nonprofit organization incorporated on July 31, 1998. The Albemarle Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Albemarle Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Effective July 1, 2007, The Bertie County Partnership for Children, Inc. was merged into the Albemarle Smart Start Partnership, Inc.

**Basis of Presentation** - The accompanying financial statements present all funds for which the Albemarle 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 Albemarle Partnership did not have any permanently restricted net assets at June 30, 2008.

- B. 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 funds Due to the State.

- C. 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.
- D. 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.
- E. 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.
- F. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Albemarle Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Albemarle 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.
- G. 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

**H. Use of Estimates** - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Albemarle 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 Albemarle 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 Albemarle Partnership to a concentration of credit risk. At June 30, 2008, the Albemarle Partnership's bank deposits in excess of the FDIC insured limit was \$134,586.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Albemarle 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 Albemarle 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 Albemarle Partnership was awarded and has received \$1,660,769 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Albemarle Partnership has returned \$39,165 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

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

The Albemarle Partnership was awarded and has received \$238,253 under a current year Regional CCR&R contract with CCSA. The unexpended balance of this contract is subject to reversion to CCSA. The Albemarle Partnership has returned \$6,280 of this contract to CCSA based on financial status reports submitted to CCSA subsequent to June 30, 2008.

The Albemarle Partnership expects to receive continued funding through new Regional CCR&R Program contracts with CCSA.

**Family Support Network Program (FSN)** - The Albemarle Partnership also received revenue and support from the North Carolina Department of Health and Human Services based on a cost-reimbursement pass-through contract with the University of North Carolina at Chapel Hill (UNC-CH) for the Family Support Network (FSN) Program.

The Albemarle Partnership was awarded \$10,700 under a current year FSN contract with UNC-CH and has received \$8,940.

**Family Support Network-Department of Social Services Parent to Parent Support Program (FSN-DSS)** - The Albemarle Partnership also received revenue and support from the North Carolina Department of Health and Human Services based on a cost-reimbursement pass-through contract with the University of North Carolina at Chapel Hill (UNC-CH) for the Family Support Network-Department of Social Services Parent to Parent Support (FSN-DSS) Program.

The Albemarle Partnership was awarded \$20,000 under a current year FSN-DSS contract with UNC-CH and has received \$9,102.

**Multi-County Accounting and Contracting Program** - The Albemarle Partnership also received revenue and support from the State of North Carolina for their participation in the Multi-County Accounting and Contracting Program. The unexpended balance of this contract is subject to reversion to the State. The Albemarle Partnership was awarded \$60,000 and received \$59,665 under a current year contract for the payment of administrative and accounting services. The Albemarle Partnership has returned \$53,806 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 4 - RELATED PARTY TRANSACTIONS

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

### NOTE 5 - FUNCTIONAL EXPENDITURES

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

#### A. Program Functions

**Child Care and Education Affordability** - Used to account for service activities including child care subsidy administration (Division of Child Development), child care cost supports (DCD), and child care transportation.

**Child Care and Education Quality** - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, professional development, provider training, and learning materials and teaching aids.

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### B. Support Functions

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

**Program 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. Additionally, includes expenditures that are incurred to monitor the effectiveness and feasibility of Partnership activities and contract agencies to determine if the short-term and long-term goals are being achieved.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

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

### NOTE 6 - OPERATING LEASES

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	\$ 8,404
2010	5,621
2011	2,280
2012	2,280
2013	1,497
2014 and beyond	<u>6,180</u>
Total Minimum Lease Payments	<u>\$ 26,262</u>

Rental expense for all operating leases during the year was \$10,225.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE 7 - PENSION PLANS

- A. Retirement Plan** - The Albemarle Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of the Albemarle Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Albemarle Partnership contributed 5% of gross wages for the year ended June 30, 2008. The Albemarle Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Albemarle Partnership contributed \$42,029 for pension benefits during the year.
- B. 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 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. No costs were incurred by the Albemarle Partnership.

### NOTE 8 - RISK MANAGEMENT

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

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

---

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** - As a result of the Albemarle 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 \$60,341. No funds or reservation of net assets has been made for this commitment.

### 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:

Purpose	Amount
Albemarle Area United Way-Supplemental FSN Activities	\$ 1,336
Albemarle Hospital – Breastfeeding	3,023
Duke Endowment Fund- Faith Based Child Care Facilities	72,297
	<u>\$ 76,656</u>

**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:

Purpose	Amount
Albemarle Area United Way - Supplemental FSN Activities	\$ 156
Duke Endowment Fund - Faith Based Child Care Facilities	62,782
Duke Energy Foundation – Family Support	338
United States Coast Guard – Baby Kits	380
	<u>\$ 63,656</u>



***Albemarle Smart Start Partnership, Inc.***  
***Schedule of Contract and Grant Expenditures - Modified Cash Basis***  
***For the Year Ended June 30, 2008***

***Schedule 1***

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Albemarle Hospital	\$ 96,690	\$ (2,970)	\$ 0	\$ 0
Albemarle Regional Health Services	* 32,737	(767)		
Bertie County Schools	55,000	(1,141)		
Children & Youth Partnership for Dare County			5,000	
Chowan-Perquimans Smart Start Partnership, Inc.			5,000	
County of Currituck	9,470	(155)		
County of Gates	* 34,000			
Currituck County Schools	* 60,975	(1,102)		
Hertford County Partnership for Children, Inc.			5,000	
NC Cooperative Extension-Pasquotank Center	79,986			
Northampton Partnership for Children, Inc.			5,000	
Northeastern Community Development Corporation	* 12,913			
	<u>381,771</u>	<u>(6,135)</u>	<u>20,000</u>	<u>0</u>
<b><i>Individuals:</i></b>				
Child Care Expense Vouchers	330			
Gas Cards for PAT Participants			500	
Gas Cards for Parents with Special Needs Children	*		500	
Licensing Assistance Grants	422			
New Center Start-Up Grants	1,426			
Participant Training Expense			98	
Professional Development Grants	* 900			
Professional Development Supplements	98,579		10,172	
Professional Development Supplements	* 1,500			
RICC Parent Stipends	*		192	
	<u>103,157</u>	<u>0</u>	<u>11,462</u>	<u>0</u>
	<u>\$ 484,928</u>	<u>\$ (6,135)</u>	<u>\$ 31,462</u>	<u>\$ 0</u>

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

***Albemarle Smart Start Partnership, Inc.***  
***Schedule of State Level Service Provider Contracts***  
***For the Year Ended June 30, 2008***

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Bertie County Department of Social Services	* \$ 149,696
Camden County Department of Social Services	36,228
Currituck County Department of Social Services	119,077
Gates County Department of Social Services	* 61,591
Pasquotank County Department of Social Services	<u>339,905</u>
	<u>\$ 706,497</u>

\* These organizations are 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.

**Albemarle Smart Start Partnership, Inc.**  
**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
<b>Federal Awards:</b>				
US Department of Health & Human Services				
Pass-through from the North Carolina Department of Health & Human Services - Division of Child Development				
Pass-through from Child Care Services Association, Inc.				
Child Care Resource & Referral	93.575	* #415-401	\$ 238,253	\$ 231,968
US Department of Health & Human Services				
Pass-through from the North Carolina Department of Health & Human Services - Division of Child Development				
Pass-through from Child Care Resources, Inc.				
Child Care Resource & Referral (Prior Year)	93.575	N/A	1,872	
Child Care Resource & Referral (Current Year)	93.575	N/A	<u>8,867</u>	<u>4,816</u>
<b>Total Federal Awards</b>			<b>\$ 248,992</b>	<b>\$ 236,784</b>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services				
Division of Child Development				
Pass-through from the North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program		* N/A	\$ 1,621,604	\$ 1,621,604
Multi-County Accounting and Contracting Grant		* N/A	59,665	5,859
North Carolina Department of Health and Human Services				
Division of Public Health				
Pass-through from the University of North Carolina at Chapel Hill				
Early Intervention Program (Prior Year)		#5-41577	1,769	
Early Intervention Program (Current Year)		#5-41776	7,171	7,824
Parent to Parent Support Program		#5-41803	9,102	12,989
Regional Early Intervention Program		2-42951-SUB-10	2,720	2,091
North Carolina Department of Health and Human Services				
Division of Public Health				
Pass-through from the Chapel Hill Training Outreach Project, Inc.				
Early Intervention Program		N/A	<u>500</u>	<u>192</u>
<b>Total State Awards</b>			<b>\$ 1,702,531</b>	<b>\$ 1,650,559</b>
<b>Total Federal and State Awards</b>			<b>\$ 1,951,523</b>	<b>\$ 1,887,343</b>

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

***Albemarle Smart Start Partnership, Inc.***  
***Schedule of Property and Equipment - Modified Cash Basis***  
***For the Year Ended June 30, 2008***

***Schedule 4***

---

Furniture and Noncomputer Equipment	\$	58,088
Computer Equipment/Printers		102,910
Leasehold Improvements		114,201
Motor Vehicles		<u>44,708</u>
Total Property and Equipment	\$	<u><u>319,907</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.

**Albemarle Smart Start Partnership, Inc.**  
**Schedule of Qualifying Match (Non-GAAP)**  
**For the Year Ended June 30, 2008**

**Schedule 5**

***Match Provided at the Partnership Level:***

Cash	\$	2,566
In-Kind Goods and Services		<u>51,079</u>
	\$	<u><u>53,645</u></u>

***Match Provided at the Contractor Level:***

Cash	\$	176,318
In-Kind Goods and Services		<u>34,824</u>
	\$	<u><u>211,142</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 ]

**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  
Albemarle Smart Start Partnership, Inc.  
Elizabeth City, North Carolina

We have audited the financial statements of the Albemarle Smart Start Partnership, Inc. (Albemarle Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 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 Albemarle 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 Albemarle Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Albemarle 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 Albemarle 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 Albemarle Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Albemarle Partnership'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 misstatement of the financial statements will not be prevented or detected by the Albemarle 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)**

---

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 Albemarle 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 additional matters that we reported to management of the Albemarle Partnership in a separate letter dated November 30, 2008.

This report is intended solely for the information and use of the audit committee, management of the Albemarle Partnership, others within the Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be and should not be used by anyone other than these specified parties.

*Langdon & Company*

Garner, North Carolina

November 30, 2008



## ORDERING INFORMATION

---

Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://www.ncauditor.net). Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of this report 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