

**FINANCIAL STATEMENT AUDIT REPORT OF**  
**WILKES COMMUNITY PARTNERSHIP FOR CHILDREN**  
**NORTH WILKESBORO, 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**  
**WILKES COMMUNITY PARTNERSHIP FOR CHILDREN**  
**NORTH WILKESBORO, NORTH CAROLINA**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**BOARD OF DIRECTORS**

**WENDY HOFFMEISTER, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**LAURA E. WELBORN, EXECUTIVE DIRECTOR**



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

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**AUDITOR'S TRANSMITTAL**

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

This report presents the results of the financial statement audit of Wilkes Community 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 respects. The results of their tests disclosed no deficiencies in internal control over financial reporting that were considered to be material weaknesses in relation to their audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in 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

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	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 .....	12
2    Schedule of State Level Service Provider Contracts .....	13
3    Schedule of Federal and State Awards – Modified Cash Basis .....	14
4    Schedule of Property and Equipment – Modified Cash Basis .....	15
5    Schedule of Qualifying Match (Non-GAAP) .....	16
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> .....	17
ORDERING INFORMATION .....	19

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Wilkes Community Partnership for Children  
North Wilkesboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Wilkes Community Partnership for Children (Wilkes 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 Wilkes 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 Wilkes Partnership as of June 30, 2008, and the results of its operations arising from modified cash basis transactions 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 9, 2009, on our consideration of the Wilkes 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)

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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 Wilkes Partnership'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

January 9, 2009

***Wilkes Community 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	Total
	Smart Start	Other	Restricted	Funds
	Fund	Funds	Funds	
<b>Receipts:</b>				
State Awards	\$ 971,023	\$ 14,460	\$ 0	\$ 985,483
Federal Awards		43,973		43,973
Local Awards		10,325		10,325
Private Contributions		11,504	1,500	13,004
Special Fund Raising Events		1,197		1,197
Sales Tax Refunds		4,672		4,672
Other Receipts		3,454		3,454
<b>Total Receipts</b>	<b>971,023</b>	<b>89,585</b>	<b>1,500</b>	<b>1,062,108</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		15,727	(15,727)	
	<b>971,023</b>	<b>105,312</b>	<b>(14,227)</b>	<b>1,062,108</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	320,254	37,807		358,061
Family Support	276,016	44,935		320,951
Health and Safety	170,865	1,661		172,526
Support:				
Management and General	146,863	12,346		159,209
Program Coordination	57,025	8		57,033
Other:				
Refund of Prior Year Grant		14		14
Sales Tax Paid		4,839		4,839
<b>Total Expenditures</b>	<b>971,023</b>	<b>101,610</b>	<b>0</b>	<b>1,072,633</b>
<b>Excess of Receipts Over Expenditures</b>	<b>0</b>	<b>3,702</b>	<b>(14,227)</b>	<b>(10,525)</b>
<b>Net Assets at Beginning of Year</b>	<b>0</b>	<b>(3,925)</b>	<b>21,772</b>	<b>17,847</b>
<b>Net Assets at End of Year</b>	<b>\$ 0</b>	<b>\$ (223)</b>	<b>\$ 7,545</b>	<b>\$ 7,322</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 1,669	\$ (2,091)	\$ 7,545	\$ 7,123
Less: Due to the State	1,669			1,669
Funds Held for Others		(1,868)		(1,868)
	<b>\$ 0</b>	<b>\$ (223)</b>	<b>\$ 7,545</b>	<b>\$ 7,322</b>

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

***Wilkes Community Partnership for Children***  
***Statement of Functional Expenditures - Modified Cash Basis***  
***For the Year Ended June 30, 2008***

***Exhibit B***

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 320,254	\$ 125,121	\$ 11,639	\$ 23,021	\$ 38,095	\$ 28,164	\$ 3,795	\$ 90,419
Family Support	276,016	199,458	2,285	25,116	26,387	3,358	8,550	10,862
Health and Safety	170,865	78,530		5,440	9,061	197	772	76,865
	<u>767,135</u>	<u>403,109</u>	<u>13,924</u>	<u>53,577</u>	<u>73,543</u>	<u>31,719</u>	<u>13,117</u>	<u>178,146</u>
<b>Support:</b>								
Management and General	146,863	108,381	5,822	7,433	11,678	10,669	2,880	
Program Coordination	57,025	47,418		930	565		381	7,731
	<u>203,888</u>	<u>155,799</u>	<u>5,822</u>	<u>8,363</u>	<u>12,243</u>	<u>10,669</u>	<u>3,261</u>	<u>7,731</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 971,023</u>	<u>\$ 558,908</u>	<u>\$ 19,746</u>	<u>\$ 61,940</u>	<u>\$ 85,786</u>	<u>\$ 42,388</u>	<u>\$ 16,378</u>	<u>\$ 185,877</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 37,807	\$ 32,161	\$ 300	\$ 1,911	\$ 1,558	\$ 89	\$ 213	\$ 1,575
Family Support	44,935	15,640	2,491	3,136	3,381		2,523	17,764
Health and Safety	1,661			1,452				209
	<u>84,403</u>	<u>47,801</u>	<u>2,791</u>	<u>6,499</u>	<u>4,939</u>	<u>89</u>	<u>2,736</u>	<u>19,548</u>
<b>Support:</b>								
Management and General	12,346	877	10,906		270	293		
Program Coordination	8	8						
	<u>12,354</u>	<u>885</u>	<u>10,906</u>		<u>270</u>	<u>293</u>		
<b>Other:</b>								
Refund of Prior Year Grant	14					14		
Sales Tax Paid	4,839			4,839				
	<u>4,853</u>			<u>4,839</u>		<u>14</u>		
<b>Total Other Funds Expenditures</b>	<u>\$ 101,610</u>	<u>\$ 48,686</u>	<u>\$ 13,697</u>	<u>\$ 11,338</u>	<u>\$ 5,209</u>	<u>\$ 396</u>	<u>\$ 2,736</u>	<u>\$ 19,548</u>

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



**WILKES COMMUNITY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Wilkes Community Partnership for Children (Wilkes Partnership) is a legally separate nonprofit organization incorporated on May 9, 1994. The Wilkes Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Wilkes 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 Wilkes 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 Wilkes 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.
- E. 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. Funds Held for Others** - Funds held for others includes amounts received that are fiduciary in nature in which Wilkes Partnership acts in an agency capacity. For the year ended June 30, 2008, the Wilkes Partnership prepaid employee insurance in the amount of \$1,868 in June 2008.
- 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, Wilkes Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Wilkes 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 8.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Wilkes 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 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Wilkes 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 Wilkes 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 Wilkes Partnership was awarded and has received \$972,692 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Wilkes Partnership has returned \$1,119 of this contract to the State based on financial status reports submitted to NCPC and an additional \$550 has been returned to the State from the prior year NCPC contract subsequent to June 30, 2008.

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

### NOTE 3 - RELATED PARTY TRANSACTIONS

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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 Wilkes Partnership's Smart Start Allocation.

### NOTE 4 - 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 Quality** - Used to account for service activities including child care resource and referral, child care support services, professional development, and salary supplements.

**Family Support** - Used to account for service activities including family resource center, ongoing parent education, family crisis intervention, and literacy projects.

**Health and Safety** - Used to account for service activities including comprehensive health services and child care health consultants.

#### 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** - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, expenditures associated with monitoring in-house and direct service provider activities.

#### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

### NOTE 5 - 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	\$ 32,836
2010	10,711
2011	1,883
2012	157
Total Minimum Lease Payments	<u>\$ 45,587</u>

Rental expense for all operating leases during the year was \$31,304.

### NOTE 6 - 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 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 type Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding the Plan are the responsibility of the Plan participants. The Wilkes Partnership contributed 10% of gross wages for the year ended June 30, 2008. Employees may make voluntary contributions to the plan. The Wilkes Partnership contributed \$35,322 to the plan during the year.

### NOTE 7 - RISK MANAGEMENT

The Wilkes 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 Wilkes Partnership manages these various risks of loss as follows:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 8 - COMMITMENTS AND CONTINGENCIES

**Compensated Absences** - As a result of the Wilkes 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 \$19,282. No funds or reservation of net assets has been made for this commitment.

### NOTE 9 - RESTRICTIONS ON NET ASSETS

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

<u>Purpose</u>	<u>Amount</u>
Family Resource Center	\$ 7,545

**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>
Child Care Scholarship	\$ 4,970
Community Outreach	586
Family Resource Center	10,171
	<u>\$ 15,727</u>

## **NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

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### **NOTE 10 - DEFICIT NET ASSETS**

The deficit net assets at June 30, 2008 in Other Funds of \$223 is due to the Wilkes Partnership having expenditures in excess of receipts for a grant. The Wilkes Partnership was reimbursed by the grantor for these expenditures after June 30, 2008.

***Wilkes Community 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
<b>Paid to Organization:</b>				
American Red Cross	\$ 0	\$ 0	\$ 375	\$ 0
Teaching Strategies	7,731			
Wilkes County Health Department	* 71,500			
Wilkes County Schools	* 67,000			
Wilkes County Transportation Authority			3,496	
	<u>146,231</u>		<u>3,871</u>	
<b>Paid to Individuals:</b>				
Child Care Expense Reimbursements			11,177	
Scholarships/Bonus Awards	5,651		150	
Non-Cash Grants-Various	33,994		4,350	
	<u>39,645</u>		<u>15,677</u>	
	<u>\$ 185,876</u>	<u>\$ 0</u>	<u>\$ 19,548</u>	<u>\$ 0</u>

\* These organizations are represented on the Partnership's Board as described in Note 3 - Service Provider Contracts with Board Member Organizations.



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

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
Child Care Services Association - WAGE\$	\$ 175,000
Wilkes County Department of Social Services *	686,840
	<u>\$ 861,840</u>

\* These organizations are represented on the Partnership's Board as described in Note 3 - 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 2 - Funding from Grant Awards.

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

***Schedule 3***

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
<b>Federal Awards:</b>				
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 the Iredell County Partnership for Young Children, Inc.				
Early Childhood Initiatives Program (Prior Year)	93.575	407-Wilkes	\$ 4,771	\$ 0
Early Childhood Initiatives Program (Current Year)	93.575	407-Wilkes	34,058	34,058
Pass-through from North Carolina Department of Health and Human Services				
Pass-through from Wilkes County				
Temporary Assistance for Needy Families[Work First] (Prior Year)	93.558	97003	562	
Temporary Assistance for Needy Families[Work First] (Current Year)	93.558	97003	4,582	4,582
<b>Total Federal Awards</b>			<u>43,973</u>	<u>38,640</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services				
Division of Child Development				
Pass-through from The North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program	*	N/A	971,023	971,023
Multi-County Accounting and Contracting Grant		N/A	11,665	11,665
Pass-through from Wilkes County				
Temporary Assistance for Needy Families[Work First] (Prior Year)		97003	297	
Temporary Assistance for Needy Families[Work First] (Current Year)		97003	1,498	1,498
North Carolina Department of Health and Human Services				
Pass-through from Wilkes County				
Health Services Assistance to Latino Individuals [Healthy Carolinians]		4112	1,000	996
<b>Total State Awards</b>			<u>985,483</u>	<u>985,182</u>
<b>Total Federal and State Awards</b>			<u>\$ 1,029,456</u>	<u>\$ 1,023,822</u>

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

***Wilkes Community Partnership for Children***

***Schedule of Property and Equipment - Modified Cash Basis***

***For the Year Ended June 30, 2008***

***Schedule 4***

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Furniture and Noncomputer Equipment	\$ 26,938
Computer Equipment/Printers	48,175
Buildings	1,526
Leasehold Improvements	<u>14,649</u>
Total Property and Equipment	<u><u>\$ 91,288</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.

***Wilkes Community 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	\$	51,870
In-Kind Goods and Services		77,301
	\$	129,171

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

Cash	\$	68,390
In-Kind Goods and Services		98,545
	\$	166,935

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.

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## **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**

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Board of Directors  
Wilkes Community Partnership for Children  
North Wilkesboro, North Carolina

We have audited the financial statements of the Wilkes Community Partnership for Children (Wilkes Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated January 9, 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 Wilkes 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 Wilkes Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wilkes 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 Wilkes 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 Wilkes Partnership's financial statements that is more than inconsequential will not be prevented or detected by the entity'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)**

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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 Wilkes Partnership's internal control.

Our consideration of the 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 the 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 Wilkes 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 Wilkes Partnership's Board of Directors, management of the Wilkes 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

January 9, 2009

## **ORDERING INFORMATION**

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