

**FINANCIAL STATEMENT AUDIT REPORT OF
ALLEGHANY PARTNERSHIP FOR CHILDREN, INC.**

SPARTA, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

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

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

FINANCIAL STATEMENT AUDIT REPORT OF

ALLEGHANY PARTNERSHIP FOR CHILDREN, INC.

SPARTA, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

JAN GUYNN, BOARD CHAIR

ADMINISTRATIVE OFFICER

KIMBERLY W. SHAW, EXECUTIVE DIRECTOR



STATE OF NORTH CAROLINA

Office of the State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Directors, Alleghany Partnership for Children, Inc.

This report presents the results of the financial statement audit of Alleghany Partnership for Children, Inc. for the year ended June 30, 2008. Tichenor & Associates, LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

You will note from the independent auditor's report that the auditor determined that the financial statements are presented fairly in all material aspects. The results of their tests disclosed no deficiencies in internal control over financial reporting that were considered to be material weaknesses in relation to their audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of all audit reports issued by the Office of the State Auditor may be obtained through one of the options listed on the back of this report.

Leslie Merritt

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alleghany Partnership for Children, Inc.
Sparta, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Alleghany Partnership for Children, Inc. (Alleghany 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 Alleghany 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 Alleghany Partnership for Children, 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 6, 2008, on our consideration of the Alleghany Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Allegheny Partnership for Children, 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.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

November 6, 2008

Alleghany Partnership for Children, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2008

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards	\$ 204,463	\$ 89,121	\$ 0	\$ 293,584
Federal Awards		169,458		169,458
Private Contributions		5,812	2,353	8,165
Special Fund Raising Events		4,344	3,152	7,496
Interest and Investment Earnings		406		406
Sales Tax Refunds		2,054		2,054
Other Receipts		23,017		23,017
Total Receipts	204,463	294,212	5,505	504,180
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		11,317	(11,317)	
	204,463	305,529	(5,812)	504,180
Expenditures:				
Programs:				
Child Care and Education Affordability	75,921	22,864		98,785
Child Care and Education Quality	36,280	4,929		41,209
Domestic Violence		141,808		141,808
Family Support	21,977	105,155		127,132
Support:				
Management and General	63,803	14,870		78,673
Program Coordination	6,482			6,482
Other:				
Sales Tax Paid		1,517		1,517
Total Expenditures	204,463	291,143		495,606
Excess of Receipts Over Expenditures	0	14,386	(5,812)	8,574
Net Assets at Beginning of Year	0	(12,295)	12,975	680
Net Assets at End of Year	\$ 0	\$ 2,091	\$ 7,163	\$ 9,254
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 0	\$ 2,659	\$ 7,163	\$ 9,822
Less: Funds Held for Others		568		568
	\$ 0	\$ 2,091	\$ 7,163	\$ 9,254

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

Alleghany Partnership for Children, 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
Smart Start Fund:								
Programs:								
Child Care and Education Affordability	\$ 75,921	\$ 38,000	\$ 495	\$ 2,759	\$ 4,361	\$ 266	\$ 40	\$ 30,000
Child Care and Education Quality	36,280	31,856		1,072	2,576	776		
Family Support	21,977	17,955		1,391	2,591		40	
	<u>134,178</u>	<u>87,811</u>	<u>495</u>	<u>5,222</u>	<u>9,528</u>	<u>1,042</u>	<u>80</u>	<u>30,000</u>
Support:								
Management and General	63,803	51,200	1,294	622	5,635	5,013	39	
Program Coordination	6,482	6,033		76	373			
	<u>70,285</u>	<u>57,233</u>	<u>1,294</u>	<u>698</u>	<u>6,008</u>	<u>5,013</u>	<u>39</u>	
Total Smart Start Fund Expenditures	\$ 204,463	\$ 145,044	\$ 1,789	\$ 5,920	\$ 15,536	\$ 6,055	\$ 119	\$ 30,000
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 22,864	\$ 20,881	\$ 0	\$ 1,245	\$ 738	\$ 0	\$ 0	\$ 0
Child Care and Education Quality	4,929	1,993		494	1,450	992		
Domestic Violence	141,808	87,636	996	4,563	21,421	7,413	967	18,812
Family Support	105,155	74,447	80	7,601	11,791	10,075	517	644
	<u>274,756</u>	<u>184,957</u>	<u>1,076</u>	<u>13,903</u>	<u>35,400</u>	<u>18,480</u>	<u>1,484</u>	<u>19,456</u>
Support:								
Management and General	14,870	462	10,615	66	1,380	2,198		149
Other:								
Sales Tax Paid	1,517			1,517				
Total Other Funds Expenditures	\$ 291,143	\$ 185,419	\$ 11,691	\$ 15,486	\$ 36,780	\$ 20,678	\$ 1,484	\$ 19,605

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

ALLEGHANY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** – The Alleghany Partnership for Children, Inc. (Alleghany Partnership) is a legally separate nonprofit organization incorporated on December 12, 1994. The Alleghany Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Alleghany 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 Alleghany 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 Alleghany 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.
- E. Funds Held For Others** – Funds held for others includes amounts received that are fiduciary in nature in which the Allegheny Partnership acts in an agency capacity. At year end, the Allegheny Partnership was holding \$448 for Local Interagency Coordinating Council and \$120 for Volunteer Allegheny, service providers that are too small to maintain their own checking accounts.
- 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, Allegheny Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Allegheny 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.
- H. Use of Estimates** – The preparation of financial statements in conformity with the modified cash basis of accounting used by the Allegheny 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - DEPOSITS

All funds of the Alleghany 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 Alleghany Partnership to a concentration of credit risk.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Alleghany 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 Alleghany 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 Alleghany Partnership was awarded and has received and spent \$204,463 under a current year Smart Start contract with NCPC.

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

Family Resource Center Program – The Alleghany Partnership’s also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Family Resource Center (FRC) Program.

The Alleghany Partnership was awarded \$100,000 under a current year FRC contract with DHHS and has received \$80,966 of this amount. The Alleghany Partnership expects to receive continued funding through new FRC Program contracts with the State.

Domestic Violence Program – The Alleghany Partnership also received revenue and support from the State of North Carolina based on a contract with

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

North Carolina Department of Crime Control and Public Safety for a Domestic Violence Program. The Alleghany Partnership was awarded and received \$49,338 through a current year contract with the North Carolina Department of Crime Control and Public Safety.

The Alleghany Partnership expects to receive continued funding through new Domestic Violence Program contracts with the State.

Governor's Crime Commission – The Alleghany Partnership also receives funding on a cost-reimbursement contract with Governor's Crime Commission for the Domestic Abuse is Not Acceptable (DANA) program, a domestic violence program.

The Alleghany Partnership was awarded \$45,000 through a current year contract with the Governor's Crime Commission and has received \$40,324 of this amount. The Alleghany Partnership expects to receive continued funding through new Governor's Crime Commission contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

A. Program Functions

Child Care and Education Affordability – Used to account for service activities including pre-K/Preschool classes and part-day care programs.

Child Care and Education Quality – Used to account for service activities associated with child care resource and referral.

Domestic Violence – Used to account for activities associated with providing assistance services for victims and survivors of domestic violence.

Family Support – Used to account for service activities including family resource centers, ongoing parenting education, and community outreach information and resources.

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, costs 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:

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 allocated based on utilization data.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Rental expense for all operating leases during the year was \$16,201.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - PENSION PLAN

IRC Section 403(b) Plan – All permanent employees who are at least half-time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the Alleghany Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Alleghany Partnership contributed a dollar for dollar match up to a maximum of 6% 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 Alleghany Partnership contributed \$7,319 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Compensated Absences – As a result of the Alleghany 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

June 30, 2008, is \$10,314. 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
BREMCO – Car Seats	\$ 1,000
Domestic Violence	2,301
Domestic Violence – Childcare	298
Education Station	3,238
Family Resource Center	326
	<u>\$ 7,163</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
Alleghany Cares	\$ 54
Domestic Violence	9,750
Education Station	1,470
Family Resource Center	43
	<u>\$ 11,317</u>

Alleghany Partnership for Children, Inc.
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>				
Alleghany Board of Education	* \$ 30,000	\$ 0	\$ 0	\$ 0
<i>Paid to Individuals:</i>				
Domestic Violence Non-Cash Grants			18,813	
Family Resource Center Non-Cash Grants			645	
Various Individuals			147	
	<u>\$ 30,000</u>	<u>\$ 0</u>	<u>\$ 19,605</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.

Alleghany Partnership for Children, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2008

Schedule 2

Organization Name	DHHS Contracts
* Alleghany County Department of Social Services	\$ 32,000
Child Care Services Association - WAGE\$ Program	18,750
	<u>\$ 50,750</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.

Alleghany Partnership for Children, 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
Federal Awards:				
U.S. Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services				
Promoting Safe and Stable Families (Prior Year)	93.556	01099-07	\$ 28,106	\$ 0
Promoting Safe and Stable Families (Current Year)	93.556 *	01099-08	80,966	99,024
Pass-through from Alleghany County Department of Social Services				
Temporary Assistance for Needy Families	93.558	N/A	5,280	4,680
U.S. Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development				
Child Care and Development Block Grant (Prior Year)	93.575	13-07-01	2,882	
Child Care and Development Block Grant (Current Year)	93.575	13-01-08	4,928	4,928
U.S. Department of Justice Office of Juvenile Justice and Delinquency Prevention				
Pass-through from the North Carolina Department of Crime Control and Public Safety -- Governor's Crime Commission Division				
Crime Victim Assistance (Prior Year)	16.575	003-1-05-A13-AV-031	6,972	
Crime Victim Assistance (Current Year)	16.575 *	003-1-07-A13-AV-098	40,324	44,518
Total Federal Awards			169,458	153,150
State Awards:				
North Carolina Department of Administration				
Pass-through from the North Carolina Council for Women/ Domestic Violence Commission				
Marriage License Fees	N/A	N/A	8,873	11,913
North Carolina Department of Crime Control and Public Safety -- Governor's Crime Commission Division				
Domestic Violence Grant (Prior Year)	N/A	N/A	(1,102)	
Domestic Violence Grant (Current Year)	N/A *	N/A	49,338	49,338
Sexual Assault Grant	N/A	N/A	20,347	20,347
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 *	N/A	204,463	204,463
Multi-County Accounting and Contracting Grant	N/A	N/A	11,665	11,665
Total State Awards			293,584	297,726
Total Federal and State Awards			\$ 463,042	\$ 450,876

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

Alleghany Partnership for Children, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 4

Furniture and Noncomputer Equipment	\$ 20,314
Computer Equipment/Printers	36,256
Leasehold Improvements	70,814
Motor Vehicles	<u>14,803</u>
Total Property and Equipment	<u><u>\$ 142,187</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.

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

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	33,588
In-Kind Goods and Services		<u>18,789</u>
	\$	<u><u>52,377</u></u>

Match Provided at the Contractor Level:

Cash	\$	<u><u>5,203</u></u>
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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.

TICHENOR & ASSOCIATES, LLP

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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

Board of Directors
Alleghany Partnership for Children, Inc.
Sparta, North Carolina

We have audited the financial statements of the Alleghany Partnership for Children, Inc. (Alleghany Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 6, 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 Alleghany 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 Alleghany Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Alleghany 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 Alleghany 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 Alleghany Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Alleghany 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 Alleghany 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 Alleghany 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 Alleghany Partnership’s Board of Directors, management of the Alleghany 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

November 6, 2008

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