

**BUNCOMBE COUNTY PARTNERSHIP
FOR CHILDREN, INC.
Asheville, North Carolina**

**FINANCIAL STATEMENTS
June 30, 2008**

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

**BETH A. WOOD, CPA
STATE AUDITOR**

FINANCIAL STATEMENT AUDIT REPORT OF
BUNCOMBE COUNTY PARTNERSHIP FOR CHILDREN, INC.

ASHEVILLE, NORTH CAROLINA

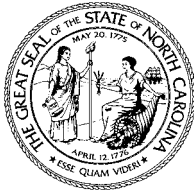
FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

Lawrence Thompson III, Board Chair

ADMINISTRATIVE OFFICER

Ronald Bradford, Executive Director



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Directors, Buncombe County Partnership for Children, Inc.

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

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

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

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Buncombe County Partnership for Children, Inc.
Asheville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Buncombe County Partnership for Children, Inc. (Buncombe County Partnership, Inc.) as of and for the year ended June 30, 2008, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Buncombe County Partnership, Inc.'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 Buncombe County 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 January 31, 2009 on our consideration of the Buncombe County Partnership, Inc.'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 an opinion on the financial statements that collectively comprise the Buncombe County 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.

Clifton Henderson LLP

Raleigh, North Carolina
January 31, 2009

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

	<u>Unrestricted Funds</u>		<u>Temporarily Restricted</u>	<u>Total Funds</u>
	<u>Smart Start Fund</u>	<u>Other Funds</u>		
Receipts:				
State Awards	\$ 2,805,747	\$ 1,312,019	\$ -	\$ 4,117,766
Private Contributions	-	8,103	26,077	34,180
Interest and Investment Earnings	-	6,624	-	6,624
Sales Tax Refunds	-	1,478	-	1,478
Other Receipts	-	50,521	-	50,521
Total Receipts	<u>2,805,747</u>	<u>1,378,745</u>	<u>26,077</u>	<u>4,210,569</u>
Expenditures:				
Programs:				
Child Care and Education Quality	1,598,207	397	-	1,598,604
Family Support	118,543	8,528	-	127,071
Health and Safety	611,721	-	-	611,721
More at Four	127,997	1,301,438	-	1,429,435
Support:				
Management and General	285,571	63,123	-	348,694
Program Coordination and Evaluation	63,708	1,425	-	65,133
Other:				
Refund of Prior Year Grant	-	120	-	120
Sales Tax Paid	-	1,422	-	1,422
Total Expenditures	<u>2,805,747</u>	<u>1,376,453</u>	<u>-</u>	<u>4,182,200</u>
Excess of Receipts Over Expenditures	-	2,292	26,077	28,369
Net Assets at Beginning of Year	<u>-</u>	<u>58,476</u>	<u>2,809</u>	<u>61,285</u>
Net Assets at End of Year	<u>\$ -</u>	<u>\$ 60,768</u>	<u>\$ 28,886</u>	<u>\$ 89,654</u>
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ -	\$ 60,768	\$ 28,886	\$ 89,654
Refunds Due From Contractors	5,693	-	-	5,693
	<u>5,693</u>	<u>60,768</u>	<u>28,886</u>	<u>95,347</u>
Less: Due to the State	5,693	-	-	5,693
TOTAL NET ASSETS	<u>\$ -</u>	<u>\$ 60,768</u>	<u>\$ 28,886</u>	<u>\$ 89,654</u>

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

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

Exhibit B

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/ Contracts/ Grants</u>
Smart Start Fund:								
Programs:								
Child Care and Education Quality	\$ 1,598,207	\$ 54,834	\$ -	\$ -	\$ 2,603	\$ -	\$ -	\$ 1,540,770
Family Support	118,543	-	-	-	-	-	-	118,543
Health and Safety	611,721	-	-	-	-	-	-	611,721
More at Four	127,997	-	-	-	-	-	-	127,997
	<u>2,456,468</u>	<u>54,834</u>	<u>-</u>	<u>-</u>	<u>2,603</u>	<u>-</u>	<u>-</u>	<u>2,399,031</u>
Support:								
Management and General	285,571	173,353	4,386	9,326	49,115	47,183	2,208	-
Program Coordination and Evaluation	63,708	61,461	-	15	2,162	70	-	-
	<u>349,279</u>	<u>234,814</u>	<u>4,386</u>	<u>9,341</u>	<u>51,277</u>	<u>47,253</u>	<u>2,208</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 2,805,747</u>	<u>\$ 289,648</u>	<u>\$ 4,386</u>	<u>\$ 9,341</u>	<u>\$ 53,880</u>	<u>\$ 47,253</u>	<u>\$ 2,208</u>	<u>\$ 2,399,031</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 397	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 397
Family Support	8,528	-	2,287	-	3,995	-	-	2,246
More at Four	1,301,438	62,606	406	28	2,047	70	-	1,236,281
	<u>1,310,363</u>	<u>62,606</u>	<u>2,693</u>	<u>28</u>	<u>6,042</u>	<u>70</u>	<u>-</u>	<u>1,238,924</u>
Support:								
Management and General	63,123	59,480	-	481	2,225	937	-	-
Program Coordination and Evaluation	1,425	1,425	-	-	-	-	-	-
	<u>64,548</u>	<u>60,905</u>	<u>-</u>	<u>481</u>	<u>2,225</u>	<u>937</u>	<u>-</u>	<u>-</u>
Other:								
Refund of Prior Year Grant	120	-	-	-	120	-	-	-
Sales Tax Paid	1,422	1,422	-	-	-	-	-	-
	<u>1,542</u>	<u>1,422</u>	<u>-</u>	<u>-</u>	<u>120</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 1,376,453</u>	<u>\$ 123,511</u>	<u>\$ 2,693</u>	<u>\$ 509</u>	<u>\$ 8,387</u>	<u>\$ 1,007</u>	<u>\$ -</u>	<u>\$ 1,238,924</u>

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

Buncombe County Partnership for Children, Inc.
Notes to Financial Statements
Year Ended June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** – The Buncombe County Partnership for Children, Inc. (Buncombe County Partnership, Inc.) is a legally separate nonprofit organization incorporated on October 6, 1995. The Buncombe County Partnership, Inc. was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Buncombe County Partnership, Inc. 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 Buncombe County Partnership, Inc.'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 Buncombe County Partnership, Inc. 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 does not recognize the value of in-kind goods and services received; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

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

Buncombe County Partnership for Children, Inc.
Notes to Financial Statements
Year Ended June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.
- E. Refunds Due from Contractors** – Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- F. Due to the State** – The funding provided by the State of North Carolina for the Smart Start Program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, the Buncombe County Partnership, Inc. is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Buncombe County Partnership, Inc. has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2008. Donated items are recorded at estimated fair market value at the date of donation.
- H. Compensated Absences** – As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

NOTE 2 - DEPOSITS

All funds of the Buncombe County Partnership, Inc. are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. Deposits over this amount subject the Buncombe County Partnership, Inc. to a concentration of credit risk. At June 30, 2008, the Buncombe County Partnership for Children, Inc.'s bank deposits in excess of the FDIC insured limit was \$138,312.

Buncombe County Partnership for Children, Inc.
Notes to Financial Statements
Year Ended June 30, 2008

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Buncombe County Partnership, Inc. 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 Buncombe County Partnership, Inc. 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 Buncombe County Partnership, Inc. was awarded and has received \$2,811,440 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Buncombe County Partnership, Inc. has returned \$5,693 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

More at Four – The Buncombe County Partnership, Inc. also received revenue and support from the State of North Carolina for the More at Four Program. The Buncombe County Partnership, Inc. was awarded and received \$1,300,354 under a current year cost reimbursement contract. The unexpended balance of this contract is subject to reversion to the State. The Buncombe County Partnership, Inc. expects to receive continued funding through More at Four contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

Buncombe County Partnership for Children, Inc.
Notes to Financial Statements
Year Ended June 30, 2008

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 Quality – Used to account for service activities including or associated with quality enhancement grants for upgrades, quality enhancement grants for maintenance, professional development, salary supplements and kindergarten orientation and transition.

Family Support – Used to account for service activities including or associated with parenting skills training, literacy projects and community outreach information and resources.

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

More-at-Four – Used to account for development and implementation of More-at-Four Pre-Kindergarten Program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality pre-kindergarten services in order to enhance kindergarten readiness.

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 the performance of in-house and direct service providers as to the delivery of services and adherence to the specific terms and conditions of the contracts.

Buncombe County Partnership for Children, Inc.
Notes to Financial Statements
Year Ended June 30, 2008

NOTE 6 - OPERATING LEASE OBLIGATIONS

Operating Lease Obligations – Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2008:

<u>Fiscal Years</u>	<u>Operating Leases</u>
2009	\$ 26,480
2010	4,788
2011	936
2012	936
Total Minimum Lease Payments	\$ 33,140

Rental expense for all operating leases during the year was \$41,560.

NOTE 7 - PENSION PLAN

Retirement Plans – The Buncombe County Partnership, Inc. has a Simplified Employee Pension Plan (SEP Plan) covering all full-time employees. Each full-time employee of the Buncombe County Partnership, Inc. as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Buncombe County Partnership, Inc. SEP Plan may contribute up to 8.5% of gross wages of participating employees. The Buncombe County Partnership, Inc. does not own the accounts nor is liable for any other cost other than the required contribution. The Buncombe County Partnership, Inc. contributed \$22,614 for pension benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Buncombe County Partnership, Inc. 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 Buncombe County Partnership, Inc. 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 Buncombe County Partnership, Inc. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Buncombe County Partnership for Children, Inc.
Notes to Financial Statements
Year Ended June 30, 2008

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Compensated Absences – As a result of the Buncombe County Partnership, Inc.'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 \$17,413. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - Restriction on Net Assets

Temporarily Restricted Net Assets – Temporarily restricted net assets at June 30, 2008 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
School Readiness	\$ 2,809
Outdoor Learning Activities	<u>26,077</u>
Total	<u>\$ 28,886</u>

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

Buncombe County 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>				
* Asheville-Buncombe Technical Community College	\$ 108,016	\$ -	\$ -	\$ -
* Buncombe County Child Care Services	154,378	4,674	34,403	-
Buncombe County Health Center	459,123	-	-	-
Buncombe County Schools	95,000	1,019	-	-
* Community Action Opportunities	90,176	-	488,732	-
* Community Child Care Center	21,630	-	-	-
Eliada Child Development	-	-	372,050	-
Families' Information Resources Support & Technology	165,327	-	2,246	-
* Hilde's House	9,074	-	-	-
* Mission Hospital, Inc.	62,508	-	-	-
More at Four In-House	50,666	-	-	-
Mountain Area Child and Family	-	-	39,314	-
* Shalom Children's Center	18,778	-	-	-
* TC Roberson Child Care	1,568	-	-	-
* The Asheville City Schools	209,972	-	302,179	-
* Valley Child Development Center	11,256	-	-	-
Various Sustaining Facility Quality - Facilities	502,833	-	-	-
* Wanda's Childcare	1,982	-	-	-
* YWCA Child Care Center	19,308	-	-	-
	<u>1,981,595</u>	<u>5,693</u>	<u>1,238,924</u>	<u>-</u>
<i>Paid to Individuals:</i>				
Scholarships/Bonus Awards - Inhouse Sustaining Facility Quality - Individuals	<u>423,129</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,404,724</u>	<u>\$ 5,693</u>	<u>\$ 1,238,924</u>	<u>\$ -</u>

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

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

Schedule 2

Organization Name	DHHS Contracts
* Buncombe County Child Care Services	<u>\$ 945,925</u>

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

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

***Buncombe County Partnership for Children, Inc.
Schedule of State Awards - Modified Cash Basis
For the Year Ended June 30, 2008***

Schedule 3

<u>State Grantor/Pass-through Grantor/Program</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
State Awards:			
North Carolina Department of Health and Human Services			
Division of Child Development			
Pass-through from The North Carolina Partnership for Children, Inc.			
Early Childhood Initiatives Program *	N/A	\$ 2,805,747	\$ 2,805,747
Multi-County Accounting and Contracting Grant	N/A	11,665	11,665
North Carolina Department of Public Instruction, Office of School Readiness			
More-at-Four Kindergarten Program*		1,300,354	1,301,438
Total State Awards		<u>\$ 4,117,766</u>	<u>\$ 4,118,850</u>

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

Buncombe County 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	\$ 3,659
Computer Equipment/Printers	32,622
Leasehold Improvements	<u>3,246</u>
Total Property and Equipment	<u><u>\$ 39,527</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.

Buncombe County 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	\$ 40,289
In-Kind Goods and Services	<u>18,197</u>
	<u>\$ 58,486</u>

Match Provided at the Contractor Level:

Cash	\$ 203,366
In-Kind Goods and Services	<u>280,631</u>
	<u>\$ 483,997</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2007-323, Section 10.19(c). The North Carolina Partnership for Children, Inc. and all local partnerships are required to match the total amount budgeted for the Smart Start Program in each fiscal year. The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Buncombe County Partnership for Children, Inc.
Asheville, North Carolina

We have audited the financial statements of the Buncombe County Partnership for Children, Inc. (Buncombe County Partnership, Inc.) as of and for the year ended June 30, 2008, and have issued our report thereon dated January 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As described in Note 1, the accompanying financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Buncombe County Partnership, Inc.'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 Buncombe County Partnership, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Buncombe County Partnership, Inc.'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 Buncombe County Partnership, Inc.'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 Buncombe County Partnership, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by the Buncombe County Partnership, Inc.'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 Buncombe County Partnership, Inc.'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 Buncombe County Partnership, Inc.'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 Buncombe County Partnership, Inc.'s Board of Directors, management of the Buncombe County Partnership, Inc., others within the Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly of North Carolina and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Raleigh, North Carolina
January 31, 2009

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