

**ROBESON COUNTY PARTNERSHIP  
FOR CHILDREN  
Lumberton, 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  
ROBESON COUNTY PARTNERSHIP FOR CHILDREN**

**LUMBERTON, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**ALTON LOCKLEAR, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**JEAN JOHNSON, EXECUTIVE DIRECTOR**



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

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet <http://www.osa.state.nc.us>

---

**AUDITOR'S TRANSMITTAL**

---

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

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

You will note from the independent auditor's report that the auditor determined that the financial statements are presented fairly in all material aspects. The results of their audit disclosed deficiencies in internal control and/or instances of noncompliance or other matters that are considered reportable under *Government Auditing Standards*. These items are described in the Audit Findings and Responses section of this report.

*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

# TABLE OF CONTENTS

---

	PAGE
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
EXHIBITS	
A Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis .....	3
B Statement of Functional Expenditures – Modified Cash Basis .....	4
Notes to Financial Statements .....	5
SUPPLEMENTARY SCHEDULES	
1 Schedule of Contract and Grant Expenditures – Modified Cash Basis .....	13
2 Schedule of State Level Service Provider Contracts .....	14
3 Schedule of State Awards – Modified Cash Basis .....	15
4 Schedule of Property and Equipment – Modified Cash Basis .....	16
5 Schedule of Qualifying Match (Non-GAAP) .....	17
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	18
SCHEDULE OF AUDIT FINDINGS AND RESPONSES .....	20
ORDERING INFORMATION .....	22

## INDEPENDENT AUDITOR'S REPORT

---

Board of Directors  
Robeson County Partnership for Children  
Lumberton, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Robeson County Partnership for Children (Robeson County Partnership) as of and for the year ended June 30, 2008, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Robeson County Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Robeson County Partnership 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 March 31, 2009 on our consideration of the Robeson County Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

---

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Robeson County 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.

*Clifton Henderson LLP*

Raleigh, North Carolina  
March 31, 2009

***Robeson County 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 Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards	\$ 2,478,077	\$ 67,559	\$ -	\$ 2,545,636
Mortgage Loan Proceeds	-	103,690	-	103,690
Private Contributions	-	14,837	863	15,700
Special Fund Raising Events	-	5,136	-	5,136
Interest and Investment Earnings	-	122	299	421
Sales Tax Refunds	-	4,041	-	4,041
Other Receipts	-	61,152	-	61,152
<b>Total Receipts</b>	<b>2,478,077</b>	<b>256,537</b>	<b>1,162</b>	<b>2,735,776</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	1,891	(1,891)	-
	<u>2,478,077</u>	<u>258,428</u>	<u>(729)</u>	<u>2,735,776</u>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	273,733	-	-	273,733
Child Care and Education Quality	856,811	-	-	856,811
Family Support	371,298	-	-	371,298
Health and Safety	380,181	25,372	-	405,553
More at Four	120,170	30,496	-	150,666
Support:				
Management and General	315,613	212,054	-	527,667
Program Coordination and Evaluation	160,271	3,406	-	163,677
Other:				
Sales Tax Paid	-	4,223	-	4,223
<b>Total Expenditures</b>	<b>2,478,077</b>	<b>275,551</b>	<b>-</b>	<b>2,753,628</b>
<b>Deficiency of Receipts Over Expenditures</b>	<b>-</b>	<b>(17,123)</b>	<b>(729)</b>	<b>(17,852)</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>11,753</b>	<b>12,738</b>	<b>24,491</b>
<b>Net Assets at End of Year</b>	<b>\$ -</b>	<b>\$ (5,370)</b>	<b>\$ 12,009</b>	<b>\$ 6,639</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 7,816	\$ (4,094)	\$ 5,234	\$ 8,956
Investments	-	-	6,775	6,775
Refunds Due From Contractors	16,081	-	-	16,081
	23,897	(4,094)	12,009	31,812
Less: Due to the State	23,897	-	-	23,897
Funds Held for Others	-	1,276	-	1,276
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ (5,370)</b>	<b>\$ 12,009</b>	<b>\$ 6,639</b>

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

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

***Exhibit B***

	<b>Total</b>	<b>Personnel</b>	<b>Contracted Services</b>	<b>Supplies and Materials</b>	<b>Other Operating Expenditures</b>	<b>Fixed Charges and Other Expenditures</b>	<b>Property and Equipment Outlay</b>	<b>Services/ Contracts/ Grants</b>
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Affordability	\$ 273,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 273,733
Child Care and Education Quality	856,811	-	-	-	-	-	-	856,811
Family Support	371,298	-	-	-	-	-	-	371,298
Health and Safety	380,181	-	-	-	-	-	-	380,181
More at Four	120,170	-	-	-	-	-	-	120,170
	<u>2,002,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,002,193</u>
<b>Support:</b>								
Management and General	315,613	234,159	23,222	2,529	39,506	16,167	30	-
Program Coordination and Evaluation	160,271	95,391	19,077	3,492	40,056	672	1,583	-
	<u>475,884</u>	<u>329,550</u>	<u>42,299</u>	<u>6,021</u>	<u>79,562</u>	<u>16,839</u>	<u>1,613</u>	<u>-</u>
<b>Total Smart Start Fund Expenditures</b>	<b><u>\$ 2,478,077</u></b>	<b><u>\$ 329,550</u></b>	<b><u>\$ 42,299</u></b>	<b><u>\$ 6,021</u></b>	<b><u>\$ 79,562</u></b>	<b><u>\$ 16,839</u></b>	<b><u>\$ 1,613</u></b>	<b><u>\$ 2,002,193</u></b>
<b>Other Funds:</b>								
<b>Programs:</b>								
Health and Safety	\$ 25,372	\$ 15,475	\$ 331	\$ 3,361	\$ 1,103	\$ 638	\$ 4,464	\$ -
More at Four	30,496	30,496	-	-	-	-	-	-
	<u>55,868</u>	<u>45,971</u>	<u>331</u>	<u>3,361</u>	<u>1,103</u>	<u>638</u>	<u>4,464</u>	<u>-</u>
<b>Support:</b>								
Management and General	212,054	26,721	10,548	6,689	51,168	10,383	106,545	-
Program Coordination and Evaluation	3,406	1,623	-	-	1,783	-	-	-
	<u>215,460</u>	<u>28,344</u>	<u>10,548</u>	<u>6,689</u>	<u>52,951</u>	<u>10,383</u>	<u>106,545</u>	<u>-</u>
<b>Other:</b>								
Sales Tax Paid	4,223	-	-	4,223	-	-	-	-
<b>Total Other Funds Expenditures</b>	<b><u>\$ 275,551</u></b>	<b><u>\$ 74,315</u></b>	<b><u>\$ 10,879</u></b>	<b><u>\$ 14,273</u></b>	<b><u>\$ 54,054</u></b>	<b><u>\$ 11,021</u></b>	<b><u>\$ 111,009</u></b>	<b><u>\$ -</u></b>

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



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

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** – The Robeson County Partnership for Children (Robeson County Partnership) is a legally separate nonprofit organization incorporated on October 19, 1995. The Robeson County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Robeson County Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

**B. Basis of Presentation** – The accompanying financial statements present all funds for which the Robeson County Partnership's Board of Directors is responsible. Pursuant to the provisions of the 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 – Modified Cash Basis as net assets released from restrictions.

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

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

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

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.
- E. Investments** – This classification includes certificates of deposit whose original maturity term exceeds three months. Investments are reported at cost, which approximates fair value.
- F. 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.
- G. 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.
- H. Funds Held for Others** – Funds held for others includes amounts received that are fiduciary in nature in which Robeson County Partnership acts in an agency capacity. For the year ended June 30, 2008, Robeson County Partnership was holding amounts withheld from paychecks for distribution to the appropriate designee.
- I. 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 Robeson County Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Robeson County Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2008. Donated items are recorded at estimated fair market value at the date of donation.
- J. 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.

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

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Use of Estimates** – The preparation of financial statements in conformity with the modified cash basis of accounting used by the Robeson County Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

**NOTE 2 - DEPOSITS and INVESTMENTS**

**A. Deposits** – All funds of the Robeson County Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subject the Robeson County Partnership to a concentration of credit risk. At June 30, 2008, the Robeson County Partnership did not have any bank deposits in excess of the FDIC insured limit.

**B. Investments** – The Robeson County Partnership held a certificate of deposit with a local bank. The certificate, whose original maturity term exceeds three months, is reported at cost which approximates fair value. At June 30, 2008, the investment balance was \$6,775. Certificates of deposit reported as investments are also a component of the insured limit and risk reported in the deposits section of this note.

**NOTE 3 - FUNDING FROM GRANT AWARDS**

**Smart Start Program** – The Robeson County Partnership's major source of revenue and support is from the State of North Carolina based on cost-reimbursement contracts with The North Carolina Partnership for Children, Inc. (NCPC) for the Smart Start Program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of the Robeson County Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Robeson County Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During the year, the North Carolina Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Robeson County Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Robeson County Partnership was awarded and has received \$2,501,974 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Robeson County Partnership has returned \$23,897 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

---

**NOTE 3 - FUNDING FROM GRANT AWARDS (CONTINUED)**

**Smart Start Program** (continued)

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

**NOTE 4 - RELATED PARTY TRANSACTIONS**

**A. Service Provider Contracts with Board Member Organizations** – The board members of the Robeson County Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Robeson County Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Robeson County Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Robeson County Partnership’s Smart Start Allocation.

**B. Other Related Parties** – The Robeson County Partnership entered into transactions for services with a private business associated with a board member. The amounts paid included:

<u>Expenditures</u>	<u>Amount</u>
Lumber River Trading Company	<u>\$ 43</u>

**NOTE 5 - FUNCTIONAL EXPENDITURES**

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

**A. Program Functions**

**Child Care and Education Affordability** – Used to account for service activities associated with Pre-K classes and child care transportation.

**Child Care and Education Quality** – Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, professional development, and salary supplements.

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

---

**NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)**

**A. Program Functions (continued)**

**Family Support** – Used to account for service activities including or associated with ongoing parenting education, literacy projects, and family literacy projects.

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

**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.

**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, printing, copier expenses and postage) were allocated based on utilization data.

**NOTE 6 - OPERATING LEASE OBLIGATIONS**

Future minimum lease payments under noncancelable operating leases consist of the following at June 30:

<u>Fiscal Years</u>	<u>Operating Leases</u>
2009	<u>\$ 1,313</u>

Rental expense for all operating leases during the year was \$5,571.

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

---

**NOTE 6 - OPERATING LEASE OBLIGATIONS (CONTINUED)**

In addition, the Robeson County Partnership owns its office building located in Lumberton, North Carolina. The Robeson County Partnership realized significant rental income from the lease of office space to third parties. For the year ended June 30, 2008, the Robeson County Partnership received \$61,039 of rental income. This amount is included in Other Receipts on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis.

Future minimum lease rentals to be received consist of the following at June 30:

2009	\$ 72,700
2010	47,500
2011	<u>2,083</u>
<b>Total</b>	<b><u>\$ 122,283</u></b>

**NOTE 7 - PENSION PLAN**

The Robeson County Partnership does not have a pension plan in place for its employees. However, each employee of the Robeson County Partnership is provided, as part of the benefit package, a matching contribution up to 3% of their salary to be applied to an individual retirement plan. During the year ended June 30, 2008 only two employees were making contributions to an individual retirement plan that were eligible for the Robeson County Partnership's matching contribution. The Robeson County Partnership has no liability for any other cost other than the required percentage. The Robeson County Partnership contributed \$3,262 for retirement benefits during the year.

**NOTE 8 - RISK MANAGEMENT**

The Robeson County Partnership is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Robeson County Partnership manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions, health and life	Purchased commercial insurance	None
Workers' compensation – employee injuries	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant losses to the Robeson County Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

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

---

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

- A. Compensated Absences** – As a result of the Robeson County Partnership’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2008, is \$15,558. No funds or reservation of net assets has been made for this commitment.
- B. Loan Commitment** – During the year ended June 30, 2008, the Robeson County Partnership received proceeds from a note payable to First South Bank for the purpose of improvements to the second floor of its office building. The amount owed on the note payable at June 30, 2008 is \$100,331. The improvements are presented on Schedule 4 of these financial statements as Construction in Progress. The note is collateralized by its office building. Monthly payments are \$1,270 including principal and interest at 7.9%. The monthly payments are amortized over 30 years with a balloon payment of \$64,041 due October 2012.

The future scheduled maturities of long-term debt are as follows:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2009	\$ 7,471	\$ 7,768
2010	8,073	7,147
2011	8,785	6,475
2012	9,478	5,762
2013	<u>66,524</u>	<u>1,762</u>
<b>Total loan payments</b>	<b><u>\$ 100,331</u></b>	<b><u>\$ 28,914</u></b>

**NOTE 10 - RESTRICTIONS ON NET ASSETS**

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

<u>Purpose</u>	<u>Amount</u>
One Stop Donation	\$ 8,646
Weyerhaeuser	2,500
Born Learning Campaign	<u>863</u>
<b>Total</b>	<b><u>\$ 12,009</u></b>

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

---

**NOTE 10 - RESTRICTIONS ON NET ASSETS (CONTINUED)**

**B. Net Assets Released From Donor Restrictions** – Net Assets were released from donor restrictions during the fiscal year ended June 30, 2008, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Born Learning Campaign	<u>\$ 1,891</u>

**Note 11 - DEFICIT NET ASSETS**

At June 30, 2008, Unrestricted Other Funds has a deficit net asset balance of \$5,370. The deficit net asset balance is primarily the result of unreimbursed expenditures and the biannual sales tax reimbursement from the state. Robeson County Partnership is attempting to identify additional resources to eliminate this deficit balance completely.



***Robeson County Partnership for Children  
Schedule of Contract and Grant Expenditures - Modified Cash Basis  
For the Year Ended June 30, 2008***

***Schedule 1***

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<b><i>Paid to Organizations:</i></b>				
Child Care Directions	* \$ 322,655	\$ 2,372	\$ -	\$ -
Children's Place of Robeson, Inc.	* 53,685	561	-	-
Public Schools of Robeson County	* 316,340	-	-	-
Robeson Center for Child & Family Health	* 78,140	751	-	-
Robeson Community College	* 536,607	79	-	-
Robeson County Health Department	* 555,639	10,060	-	-
Speech Pathology Services of Robeson, Inc.	* 77,645	2,258	-	-
South East Area Transist System	77,563	-	-	-
	<u>\$ 2,018,274</u>	<u>\$ 16,081</u>	<u>\$ -</u>	<u>\$ -</u>

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

***Robeson County 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>
* Robeson County Department of Social Services	<u>\$ 1,445,374</u>

\* This organization is represented on the Partnership's Board as described in Note 4A - 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.

**Robeson County Partnership for Children  
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>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</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	\$ 2,478,077	\$ 2,478,077
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 Pre-Kindergarten Program		08-24B	30,500	30,496
North Carolina Department of Health and Human Services				
Pass-through from the Southeastern Regional Mental Health System of Care Program				
		N/A	<u>25,394</u>	<u>25,372</u>
<b>Total State Awards</b>			<u>\$ 2,545,636</u>	<u>\$ 2,545,610</u>

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

***Robeson County Partnership for Children  
Schedule of Property and Equipment - Modified Cash Basis  
For the Year Ended June 30, 2008***

***Schedule 4***

---

Furniture and Noncomputer Equipment	\$ 61,007
Computer Equipment/Printers	24,462
Buildings	1,237,247
Construction in Progress	<u>105,240</u>
<b>Total Property and Equipment</b>	<b><u><u>\$ 1,427,956</u></u></b>

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.

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

***Schedule 5***

**Match Provided at the Partnership Level:**

Cash	\$ 12,451
In-Kind Goods and Services	<u>15,824</u>
<b>Total</b>	<b><u><u>\$ 28,275</u></u></b>

**Match Provided at the Contractor Level:**

Cash	\$ 255,251
In-Kind Goods and Services	<u>250,767</u>
<b>Total</b>	<b><u><u>\$ 506,018</u></u></b>

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  
Robeson County Partnership for Children  
Lumberton, North Carolina

We have audited the financial statements of the Robeson County Partnership for Children (Robeson County Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated March 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 Robeson County Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Robeson County Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Robeson County Partnership's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Robeson County Partnership's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Robeson County Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Robeson County Partnership's internal control.

We consider the deficiencies described in the accompanying schedule of audit findings and responses as Findings 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

**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 Robeson County Partnership's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Robeson County Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's responses to the findings identified in our audit are described in the accompanying schedule of audit findings and responses. We did not audit management's responses and, accordingly, we express no opinion on them.

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

*Clifton Henderson LLP*

Raleigh, North Carolina  
March 31, 2009

***Robeson County Partnership for Children  
Schedule of Audit Findings and Responses  
For the Year Ended June 30, 2008***

---

**Matters Related to Financial Reporting**

The following findings and responses were identified during the current audit and describe conditions that represent significant deficiencies in internal control or noncompliance with laws, regulations, contracts, and grant agreements.

**1. Finding 2008-1 Deficit in Unrestricted Net Assets – Other Funds**

We noted that the Robeson County Partnership had a deficit in its unrestricted net assets – other funds at June 30, 2008 of \$5,370. Management is not able to determine the cause of the entire amount of the deficiency in net assets. Therefore additional monies may be due back to the State.

We recommend that management develop internal controls to monitor the net asset balances throughout the year.

*Management's Response:*

The \$5,370 deficit in Unrestricted Other Funds Net Assets as of June 30, 2008 was attributable to timing differences between expenditures and subsequent reimbursements.

More than half of this amount, \$2,802, represented a sales tax refund due to the Partnership as of June 30, 2008. This amount was received from the North Carolina Department of Revenue on September 29, 2008. Other various timing differences included employee benefit withholdings and rental income, explained further in Notes 1H and 6, respectively. As of July 17, 2008, receipts relating to these timing differences had more than eliminated the net cash deficit and returned the Unrestricted Other Funds to a positive cash balance. As of the date this response was written, there is still a net positive cash balance in these funds.

The Partnership, in consultation with The North Carolina Partnership for Children, Inc. (NCPC), has confirmed that there are no funds that are due back to NCPC. The other State funds in this category include More at Four funds from the Office of School Readiness and System of Care funds from the Southeast Regional Mental Health agency. Based on contracts and communications with these State funding agencies, no funds are due back.

The Partnership has internal control procedures in place to monitor net asset balances. Furthermore, the Partnership's rental agreements and cost allocation have been revised such that Unrestricted Other Funds net cash is less likely to develop a negative net cash balance in the future, despite timing differences such as sales tax refunds which are beyond the Partnership's control.



***Robeson County Partnership for Children  
Schedule of Audit Findings and Responses  
For the Year Ended June 30, 2008***

---

**2. Finding 2008-2 Unearned Program Income**

We noted that the Robeson County Partnership had earned Program Income of \$168,828 and spent Program Income of \$174,883 which resulted in an over expenditure of \$6,005. Management was unaware that it had expended monies greater than the income earned, and as a result monies may be due back to the State.

We recommend that management develop internal controls to monitor the levels of Program Income and Expenditures on a timely basis to insure amounts are not expended in excess of Program Income received.

*Management's Response:*

The Partnership was aware of the over-expenditure of Program Income, as evidenced by the Annual Program Income report submitted to NCPC at year-end. The Partnership has confirmed that no funds are due back to the State as a result of the negative Program Income balance.

The Partnership expects Program Income receipts through FY2008-2009 to eliminate the net deficit in Program Income cash by June 30, 2009, due in part to the aforementioned revisions to rental agreements and cost allocation affecting these funds.

## ORDERING INFORMATION

---

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

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647