

FINANCIAL STATEMENT AUDIT REPORT OF

STOKES PARTNERSHIP FOR CHILDREN

KING, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

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

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

FINANCIAL STATEMENT AUDIT REPORT

STOKES PARTNERSHIP FOR CHILDREN

KING, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

PERRY CARROLL, BOARD CHAIR

ADMINISTRATIVE OFFICER

CINDY S. TUTTLE, 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, Stokes Partnership for Children

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

You will note from the independent auditor's report that the auditor determined that the financial statements are presented fairly in all material 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 audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

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

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stokes Partnership for Children
King, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Stokes Partnership for Children (Stokes 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 Stokes 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 Stokes Partnership as of June 30, 2008, and the results of its operations arising from modified cash basis transactions for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2009, on our consideration of the Stokes 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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 Stokes Partnership's basic financial statements. The information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1, 3, 4 and 5 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

January 14, 2009

Stokes 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		
Receipts:				
State Awards	\$ 698,245	\$ 1,023,169	\$ 0	\$ 1,721,414
Federal Awards		241,341		241,341
Private Contributions		7,978	1,506	9,484
Special Fund Raising Events		412		412
Interest and Investment Earnings		3,848		3,848
Sales Tax Refunds		3,921		3,921
Other Receipts		104,680		104,680
Total Receipts	698,245	1,385,349	1,506	2,085,100
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		4,698	(4,698)	
	698,245	1,390,047	(3,192)	2,085,100
Expenditures:				
Programs:				
Child Care and Education Quality	326,493	305,549		632,042
Family Support	101,048	9,844		110,892
Health and Safety	76,280	1,399		77,679
More at Four	14,574	995,705		1,010,279
Support:				
Fund Raising		643		643
Management and General	127,850	57,462		185,312
Program Coordination and Evaluation	52,000			52,000
Other:				
Sales Tax Paid		3,555		3,555
Total Expenditures	698,245	1,374,157		2,072,402
Excess of Receipts Over Expenditures	0	15,890	(3,192)	12,698
Net Assets at Beginning of Year	0	(19,671)	4,770	(14,901)
Net Assets at End of Year	\$ 0	\$ (3,781)	\$ 1,578	\$ (2,203)
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 743	\$ (2,020)	\$ 1,578	\$ 301
Refunds Due From Contractors	180			180
	923	(2,020)	1,578	481
Less: Due to the State	923			923
Funds Held for Others		1,761		1,761
	\$ 0	\$ (3,781)	\$ 1,578	\$ (2,203)

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

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

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
Smart Start Fund:								
Programs:								
Child Care and Education Quality	\$ 326,493	\$ 147,108	\$ 1,314	\$ 6,024	\$ 23,714	\$ 14,574	\$ 7,193	\$ 126,566
Family Support	101,048	40,938	113	1,639	8,322	3,508	617	45,911
Health and Safety	76,280							76,280
More at Four	14,574							14,574
	<u>518,395</u>	<u>188,046</u>	<u>1,427</u>	<u>7,663</u>	<u>32,036</u>	<u>18,082</u>	<u>7,810</u>	<u>263,331</u>
Support:								
Management and General	127,850	112,422	3,451	193	6,105	5,179	500	
Program Coordination and Evaluation	52,000	39,722	6,704	610	2,126	903	1,935	
	<u>179,850</u>	<u>152,144</u>	<u>10,155</u>	<u>803</u>	<u>8,231</u>	<u>6,082</u>	<u>2,435</u>	
Total Smart Start Fund Expenditures	<u>\$ 698,245</u>	<u>\$ 340,190</u>	<u>\$ 11,582</u>	<u>\$ 8,466</u>	<u>\$ 40,267</u>	<u>\$ 24,164</u>	<u>\$ 10,245</u>	<u>\$ 263,331</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 305,549	\$ 256,356	\$ 5,531	\$ 2,764	\$ 33,420	\$ 5,048	\$ 527	\$ 1,903
Family Support	9,844	916	232	1,910	3,940		2,230	616
Health and Safety	1,399		22	677	700			
More at Four	995,705	47,475	2,070	3,007	8,766	9,531	11,501	913,355
	<u>1,312,497</u>	<u>304,747</u>	<u>7,855</u>	<u>8,358</u>	<u>46,826</u>	<u>14,579</u>	<u>14,258</u>	<u>915,874</u>
Support:								
Fund Raising	643			120	436	87		
Management and General	57,462	36,630	64	2,567	4,329	13,559	313	
	<u>58,105</u>	<u>36,630</u>	<u>64</u>	<u>2,687</u>	<u>4,765</u>	<u>13,646</u>	<u>313</u>	
Other:								
Sales Tax Paid	3,555			3,555				
Total Other Funds Expenditures	<u>\$ 1,374,157</u>	<u>\$ 341,377</u>	<u>\$ 7,919</u>	<u>\$ 14,600</u>	<u>\$ 51,591</u>	<u>\$ 28,225</u>	<u>\$ 14,571</u>	<u>\$ 915,874</u>

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

STOKES PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - Stokes Partnership for Children (Stokes Partnership) is a legally separate nonprofit organization incorporated on August 25, 1994. The Stokes Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Stokes 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 Stokes 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 Stokes Partnership did not have any permanently restricted net assets at June 30, 2008.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis and includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.
- E. 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. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Stokes Partnership acts in an agency capacity. At year end, the Stokes Partnership was holding amounts withheld from employee paychecks for distribution to retirement accounts, and employee paid insurance premiums.
- H. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Stokes Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Stokes 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.
- I. Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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

NOTE 2 - DEPOSITS

All funds of the Stokes 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 Stokes Partnership to a concentration of credit risk. At June 30, 2008, the Stokes Partnership's bank deposits in excess of the FDIC insured limit was \$29,546.

The Stokes Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investments are deposited with a commercial bank and insured by FDIC up to \$100,000.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Stokes 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 services providers selected by the Stokes 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Stokes Partnership was awarded and has received \$699,168 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Stokes Partnership has returned \$923 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

More at Four - The Stokes Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Stokes Partnership was awarded \$1,074,777 and received \$1,011,504 under a current year cost-reimbursement contract. The Stokes Partnership expects to receive continued funding through new More at Four contracts with the State.

AmeriCorps and Children Together - The Stokes Partnership also received revenue and support from the North Carolina Commission on Volunteerism and Community Service based on a cost-reimbursement contract. The Stokes Partnership was awarded \$293,666 and has received \$206,895. The unexpended balance of this contract is subject to reversion to the State. The Stokes Partnership expects to receive continued funding through new AmeriCorps program contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

A. Program Functions

Child Care and Education Quality - Used to account for service activities including child care resource and referral, professional development, child care support services, professional development supplements, and provider training.

Family Support - Used to account for service activities including parent education, general family support and parents as teachers.

Health and Safety - Used to account for service activities including home visiting.

More at Four - Used to account for development and implementation of the More at Four prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

B. Support Functions

Fund Raising - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

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

Program Coordination and Evaluation - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Other Costs - Other costs including occupancy costs (rent, supplies and maintenance), supplies and materials, and communication costs (telephone and printing) were indirectly 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, 2008:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2009	\$ 48,330
2010	45,780
2011	660
Total Minimum Lease Payments	<u>\$ 94,770</u>

Rental expense for all operating leases during the year was \$46,361.

NOTE 7 - PENSION PLAN

IRC Section 403(b) Plan - All permanent full-time employees who have been employed at least one year 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 Stokes Partnership, as a condition of employment, is provided and individual annuity through an outside insurance company. The Stokes Partnership contributed 7.5% of gross wages for the year ended June 30, 2008. The employee's eligible contributions, made through salary deduction 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 Stokes Partnership contributed \$21,291 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Management believes such coverage is sufficient to preclude any significant losses to the Stokes 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 Stokes 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 \$16,181. 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:

<u>Purpose</u>	<u>Amount</u>
Books for Literacy Outreach	\$ 486
Breakfast with Santa	20
Outreach for School Readiness	<u>1,072</u>
	<u>\$ 1,578</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 purpose as follows:

<u>Purpose</u>	<u>Amount</u>
Outreach for School Readiness	<u>\$ 4,698</u>

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 12 - DEFICIT NET ASSETS

The deficit net assets at June 30, 2008 in Other Funds of \$3,781 is due to the Stokes Partnership having expenditures in excess of receipts for a grant. The Stokes Partnership was reimbursed by the grantor for these expenditures after June 30, 2008.

**Stokes 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
Paid to Organization:				
Exchange Club Child Abuse Prevention of North Carolina	* \$ 41,910	\$ 0	\$ 0	\$ 0
Forsyth Technical Community College	* 47,942			
New Life Center	*		5,057	
Northwest Child Development Center dba/ King Child Development	*		290,890	
Northwestern Region Library	* 36,000	180		
Stokes County Schools	*		378,299	
Stokes Family Health	* 76,280			
Stokes Family YMCA	* 30,000			
Yadkin Valley Economic Development District, Inc.	*		239,109	
	<u>232,132</u>	<u>180</u>	<u>913,355</u>	<u>0</u>
Paid to Individuals:				
Books for Children, Non-Cash Grants			616	
More at Four Salary Enhancements	14,574			
Non-Teach Scholarships	858			
Professional Development Milestone Awards	7,797		1,903	
Professional Development Per Course Awards	8,150			
	<u>31,379</u>		<u>2,519</u>	
	<u>\$ 263,511</u>	<u>\$ 180</u>	<u>\$ 915,874</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.

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

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$ Program	\$ 44,500
* Stokes County Department of Social Services	<u>299,978</u>
	<u><u>344,478</u></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.

Stokes Partnership for Children
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:				
Administration for Children and Families, Department of Health and Human Services				
Pass-through from North Carolina Department of Health and Human Services - Division of Child Development				
Pass-through from Work Family Resources Center				
Child Care and Development Block Grant	93.575	#13-07-04	\$ 1,647	\$ 0
Pass-through from Work Family Resources Center				
Child Care and Development Block Grant	93.575	#13-04-08	7,088	7,085
Corporation for National and Community Service				
Pass-through from the North Carolina Commission on Volunteerism and Community Service				
AmeriCorps and Children Together (ACT) (Prior Year)	94.006	06AFHNC0010003	25,711	4,385
AmeriCorps and Children Together (ACT) (Current Year)	94.006	* 06AFHNC0010003	206,895	227,229
Total Federal Awards			<u>241,341</u>	<u>238,699</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	698,245	698,245
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		* #0078-08	1,011,504	988,693
Total State Awards			<u>1,721,414</u>	<u>1,698,603</u>
Total Federal and State Awards			<u>\$ 1,962,755</u>	<u>\$ 1,937,302</u>

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

Stokes Partnership for Children

Schedule of Property and Equipment - Modified Cash Basis

For the Year Ended June 30, 2008

Schedule 4

Furniture and Noncomputer Equipment	\$ 24,803
Computer Equipment/Printers	<u>61,201</u>
Total Property and Equipment	<u><u>\$ 86,004</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.

***Stokes 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	\$	12,686
In-Kind Goods and Services		<u>26,177</u>
	\$	<u><u>38,863</u></u>

Match Provided at the Contractor Level:

Cash	\$	69,946
In-Kind Goods and Services		<u>42,954</u>
	\$	<u><u>112,900</u></u>

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

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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
Stokes Partnership for Children
King, North Carolina

We have audited the financial statements of Stokes Partnership for Children (Stokes Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated January 14, 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 Stokes 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 Stokes Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Stokes 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 Stokes 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 Stokes Partnership's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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 Stokes Partnership's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stokes 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 Stokes Partnership's Board of Directors, management of the Stokes Partnership, others within the Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly of North Carolina and is not intended to be and should not be used by anyone other than these specified parties.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

January 14, 2009

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