

**FINANCIAL STATEMENT AUDIT REPORT OF
CHILDREN & YOUTH PARTNERSHIP FOR DARE COUNTY, INC.**

KILL DEVIL HILLS, 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**

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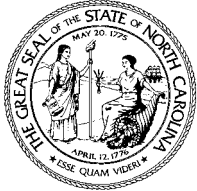
BOARD OF DIRECTORS

LEIGH ANNE VINCENT, BOARD CO-CHAIR

LISA MURPHY, BOARD CO-CHAIR

ADMINISTRATIVE OFFICER

LORETTA MICHAEL, 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, Children & Youth Partnership for Dare County, Inc.

This report presents the results of the financial statement audit of Children & Youth Partnership for Dare County, Inc. for the year ended June 30, 2008. Langdon & Company 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
Children & Youth Partnership for Dare County, Inc.
Kill Devil Hills, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of Children & Youth Partnership for Dare County, Inc. (Dare 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 Dare 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.

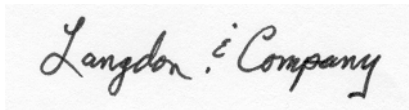
In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of Children & Youth Partnership for Dare County, Inc. as of June 30, 2008, and its receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2009 on our consideration of the Dare 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 opinions on the financial statements that collectively comprise Children & Youth Partnership for Dare County, 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.



Garner, North Carolina
February 4, 2009

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

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Funds	Other Funds		
Receipts:				
State Awards	\$ 485,705	\$ 14,301	\$ 0	\$ 500,006
Federal Awards		5,000	250	5,250
Local Awards (less refunds of \$11,811)		202,205		202,205
Private Contributions		8,883	20,312	29,195
Interest and Investment Earnings		5,412		5,412
Sales Tax Refunds		2,574		2,574
Other Receipts		1,052		1,052
Total Receipts	485,705	239,427	20,562	745,694
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		868	(868)	
	485,705	240,295	19,694	745,694
Expenditures:				
Programs:				
Child Care and Education Quality	245,592	41,038		286,630
Family Support	57,421	97,929		155,350
Health and Safety	54,076	13,169		67,245
Support:				
Management and General	121,000	84,767		205,767
Program Coordination and Evaluation	7,616	490		8,106
Other:				
Sales Tax Paid		2,443		2,443
Total Expenditures	485,705	239,836		725,541
Excess of Receipts Over Expenditures		459	19,694	20,153
Net Assets at Beginning of Year		159,405	868	160,273
Net Assets at End of Year	\$ 0	\$ 159,864	\$ 20,562	\$ 180,426
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 5,501	\$ 47,964	\$ 20,562	\$ 74,027
Investments		111,720		111,720
Refunds Due From Contractors	2,110	180		2,290
	7,611	159,864	20,562	188,037
Less: Due to the State	7,611			7,611
	\$ 0	159,864	20,562	\$ 180,426

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

***Children & Youth Partnership for Dare County, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2008***

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants
Smart Start Funds:								
Programs:								
Child Care and Education Quality	\$ 245,592	\$ 158,791	\$ 0	\$ 5,558	\$ 22,489	\$ 8,862	\$ 9,690	\$ 40,202
Family Support	57,421	20,000	7,230	259	2,785		1,092	26,055
Health and Safety	54,076							54,076
	<u>357,089</u>	<u>178,791</u>	<u>7,230</u>	<u>5,817</u>	<u>25,274</u>	<u>8,862</u>	<u>10,782</u>	<u>120,333</u>
Support:								
Management and General	121,000	84,414	747	3,019	15,052	17,373	395	
Program Coordination and Evaluation	7,616		7,616					
	<u>128,616</u>	<u>84,414</u>	<u>8,363</u>	<u>3,019</u>	<u>15,052</u>	<u>17,373</u>	<u>395</u>	
Total Smart Start Fund Expenditures	<u>\$ 485,705</u>	<u>\$ 263,205</u>	<u>\$ 15,593</u>	<u>\$ 8,836</u>	<u>\$ 40,326</u>	<u>\$ 26,235</u>	<u>\$ 11,177</u>	<u>\$ 120,333</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 41,038	\$ 5,000	\$ 0	\$ 1,790	\$ 2,359	\$ 0	\$ 0	\$ 31,889
Family Support	97,929	21,605	37,593	985	3,298	2,191	2,724	29,533
Health and Safety	13,169							13,169
	<u>152,136</u>	<u>26,605</u>	<u>37,593</u>	<u>2,775</u>	<u>5,657</u>	<u>2,191</u>	<u>2,724</u>	<u>74,591</u>
Support:								
Management and General	84,767	68,087	6,955	26	2,558	5,205	1,936	
Program Coordination and Evaluation	490		490					
	<u>85,257</u>	<u>68,087</u>	<u>7,445</u>	<u>26</u>	<u>2,558</u>	<u>5,205</u>	<u>1,936</u>	
Other:								
Sales Tax Paid	2,443			2,443				
Total Other Funds Expenditures	<u>\$ 239,836</u>	<u>\$ 94,692</u>	<u>\$ 45,038</u>	<u>\$ 5,244</u>	<u>\$ 8,215</u>	<u>\$ 7,396</u>	<u>\$ 4,660</u>	<u>\$ 74,591</u>

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

CHILDREN & YOUTH PARTNERSHIP FOR DARE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Children & Youth Partnership for Dare County, Inc. (Dare Partnership) is a legally separate nonprofit organization incorporated on September 20, 1994. The Dare Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Dare 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 Dare 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 Dare County Partnership did not have any permanently restricted assets at June 30, 2008.

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

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

an increase to net assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. Additionally, 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 certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Investments** - This classification includes a certificate 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. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Dare Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Dare 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 are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 8.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE 2 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Dare 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 Dare 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 Dare Partnership was awarded and has received \$493,316 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Dare Partnership has returned \$7,611 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

County of Dare Appropriation - The Dare Partnership's other major source of revenue and support is from an appropriation from Dare County. A significant reduction in the level of funding from the County could have an adverse effect on the operations of the Dare Partnership and represents a concentration of credit risk as to the generation of revenue. The Dare Partnership was awarded and has received \$214,016 from Dare County under a current year appropriation. The Dare Partnership expects to receive continued funding from future County appropriations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Multi-County Accounting and Contracting - The Dare Partnership also received revenue and support from the State of North Carolina for their participation in Multi-County Accounting and Contracting Program. The unexpended balance of this contract is subject to reversion to the State. The Dare Partnership was awarded and has received \$11,665 under a current year contract for the payment of administrative and accounting services. The Dare Partnership had no unexpended funds as of June 30, 2008.

Regional Child Care Resource & Referral Program (CCR&R) - The Dare Partnership received revenue and support from the North Carolina Department of Health and Human Services based on a cost reimbursement pass-through contract with Albemarle Smart Start Partnership, Inc. for the Regional Child Care Resource & Referral Program. The unexpended balance of this contract is subject to reversion to the Albemarle Smart Start Partnership, Inc. The Dare Partnership was awarded and has received \$5,000 under a current year contract. The Dare Partnership had no unexpended funds as of June 30, 2008.

Outer Banks Community Foundation (Imagination Library) - The Dare Partnership also received revenue and support from the Outer Banks Community Foundation. The Dare Partnership was awarded and has received \$12,000 for the Imagination Library Project. As allowed by program regulation, the unexpended balance of the current year contract is available for carry-forward to the subsequent year. The Dare Partnership expended \$7,369 of this grant during the current year.

NOTE 3 - RELATED PARTY TRANSACTIONS

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

NOTE 4 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis. Also, the Statement of Functional Expenditures – Modified Cash Basis, provides detail of the functional costs by

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 quality enhancement grants for upgrades, child care resource and referral, professional development and learning materials and teaching aids.

Family Support - Used to account for service activities including teen parent/child programs, general family support, and community outreach, information and resources.

Health and Safety - Used to account for service activities including comprehensive health services and support and prenatal/newborn services.

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 in-house and direct service provider activities. Additionally, includes expenditures that are incurred to monitor the effectiveness and feasibility of the Partnership activities and contract agencies to determine if the short-term and long-term goals are being achieved.

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) were allocated to specific programs based on square footage. Supplies and materials, communication costs (telephone and printing), and insurance for computer equipment were directly allocated

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

based on utilization data. Worker's compensation insurance was allocated based on staff salary percentage to insurance premium.

NOTE 5 - OPERATING LEASE

Future minimum lease payments under a noncancelable operating lease consist of the following at June 30, 2008:

<u>Fiscal Year</u>	<u>Operating Lease</u>
2009	\$ <u>28,800</u>

Rental expense for all operating leases during the year was \$28,800.

NOTE 6 - PENSION PLAN

IRC Section 403(b) Plan - All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These 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. No costs were incurred by the Dare Partnership.

NOTE 7 - RISK MANAGEMENT

The Dare 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 Dare 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

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Compensated Absences - As a result of the Dare Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2008, is \$19,745. No funds or reservation of net assets has been made for this commitment.

NOTE 9 - RESTRICTIONS ON NET ASSETS

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

Purpose	Amount
Provider Appreciation Banquet	\$ 2
Purchasing of Books for Imagination Library	20,310
LICC Outreach Mini Grant	250
	<u>\$ 20,562</u>

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

Purpose	Amount
Imagination Library books	\$ 856
Provider Appreciation Dinner	12
	<u>\$ 868</u>

Children & Youth Partnership for Dare County, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Dare County Health Department	* \$ 82,241	\$ 2,110	\$ 42,882	\$ 180
Project Education - Substitute Plus - Various Child Care Centers	2,149			
Project Education - Substitute Plus - Various Child Care Centers	*		2,996	
Project Education - Center Bonus - Various Child Care Centers	*		19,450	
Project Education - Internet Plus - Various Child Care Centers			2,074	
	<u>84,390</u>	<u>2,110</u>	<u>67,402</u>	<u>180</u>
Individuals:				
Quality Enhancement - Director Forum	* 350			
Quality Enhancement - Director & Family Child Care Home Forum	5,150			
Project Education - Take Six Bonus	21,000			
Imagination Library Recipients			7,369	
Project Education - Education Lift Off	11,553			
	<u>38,053</u>		<u>7,369</u>	
	<u>\$ 122,443</u>	<u>\$ 2,110</u>	<u>\$ 74,771</u>	<u>\$ 180</u>

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

***Children & Youth Partnership for Dare County, Inc.
 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\$	\$ 28,345
* Dare County Department of Social Services	<u>190,245</u>
	<u>\$ 218,590</u>

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

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 2 - Funding from Grant Awards.

Children & Youth Partnership for Dare County, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services-Division of Child Development and Albemarle Smart Start Partnership, Inc. Child Care Resource and Referral	93.575	#08-D	\$ 5,000	\$ 5,000
Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services-Division of Child Development and the Local Interagency Coordinating Council Federal Preschool Program	N/A	N/A	250	
Total Federal Awards			<u>5,250</u>	<u>5,000</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	485,705	485,705
Multi-County Accounting and Contracting Grant	*	N/A	11,665	11,665
North Carolina Department of Health and Human Services Division of Public Health Pass-through from the University of North Carolina at Chapel Hill Family Support Network		N/A	2,636	2,566
Total State Awards			<u>500,006</u>	<u>499,936</u>
Total Federal and State Awards			<u>\$ 505,256</u>	<u>\$ 504,936</u>

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

***Children & Youth Partnership for Dare County, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2008***

Schedule 4

Furniture and Noncomputer Equipment	\$ 12,347
Computer Equipment/Printers	<u>51,816</u>
Total Property and Equipment	<u><u>\$ 64,163</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 cash basis of accounting, these items are expensed in the year of purchase.

Children & Youth Partnership for Dare County, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2008

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	241,745
In-Kind Goods and Services		<u>14,780</u>
	\$	<u><u>256,525</u></u>

Match Provided at the Contractor Level:

Cash	\$	18,765
In-Kind Goods and Services		<u>50,988</u>
	\$	<u><u>69,753</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.

**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
Children & Youth Partnership for Dare County, Inc.
Kill Devil Hills, North Carolina

We have audited the financial statements of the Children & Youth Partnership for Dare County, Inc. (Dare Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated February 4, 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 Dare 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 Dare Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dare 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 Dare 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 Dare Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Dare Partnership's internal control.



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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Dare Partnership's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dare 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 Dare Partnership's Board of Directors, management of the Dare 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.

Garner, North Carolina
February 4, 2009

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