

**MCDOWELL COUNTY PARTNERSHIP
FOR CHILDREN AND FAMILIES, INC.
Marion, 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
MCDOWELL COUNTY PARTNERSHIP FOR CHILDREN AND
FAMILIES, INC.

MARION, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

KRIS EDWARDS, BOARD CHAIR

ADMINISTRATIVE OFFICER

CAROLINE RODIER, 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, McDowell County Partnership for Children and Families, Inc.

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

You will note from the independent auditor's report that the auditor determined that the financial statements are presented fairly in all material respects. 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
McDowell County Partnership for Children and Families, Inc.
Marion, North Carolina

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2009 on our consideration of the McDowell County Partnership, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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

Clifton Gunderson LLP

Raleigh, North Carolina
January 31, 2009

McDowell County Partnership for Children and Families, Inc.
Statement of Receipts, Expenditures, and Net Assets– Modified Cash Basis
For the Year Ended June 30, 2008

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards	\$ 714,510	\$ 20,144	\$ -	\$ 734,654
Private Contributions	-	2,663	628	3,291
Special Fund Raising Events	-	2,363	-	2,363
Interest and Investment Earnings	-	2,008	-	2,008
Sales Tax Refunds	-	1,041	-	1,041
Total Receipts	714,510	28,219	628	743,357
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	684	(684)	-
	714,510	28,903	(56)	743,357
Expenditures:				
Programs:				
Child Care and Education Affordability	262,834	-	-	262,834
Child Care and Education Quality	161,116	4,407	-	165,523
Family Support	54,418	12,984	-	67,402
Health and Safety	68,816	1,407	-	70,223
Support:				
Management and General	127,833	14,630	-	142,463
Program Coordination and Evaluation	39,493	-	-	39,493
Other:				
Sales Tax Paid	-	407	-	407
Refund of Prior Year Grant	-	670	-	670
Total Expenditures	714,510	34,505	-	749,015
Deficiency of Receipts Over Expenditures	-	(5,602)	(56)	(5,658)
Net Assets at Beginning of Year	-	11,798	684	12,482
Net Assets at End of Year	\$ -	\$ 6,196	\$ 628	\$ 6,824
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 124	\$ 6,196	\$ 628	\$ 6,948
Refunds Due from Contractors	708	-	-	708
	832	6,196	628	7,656
Less: Due to the State	(832)	-	-	(832)
TOTAL NET ASSETS	\$ -	\$ 6,196	\$ 628	\$ 6,824

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

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

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
Smart Start Fund:								
Programs:								
Child Care and Education Affordability	\$ 262,834	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 262,834
Child Care and Education Quality	161,116	-	-	-	-	-	-	161,116
Family Support	54,418	-	-	-	-	-	-	54,418
Health and Safety	68,816	-	-	-	-	-	-	68,816
	<u>547,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>547,184</u>
Support:								
Management and General	127,833	106,793	865	376	10,748	9,036	15	-
Program Coordination and Evaluation	39,493	34,859	-	229	1,302	2,776	327	-
	<u>167,326</u>	<u>141,652</u>	<u>865</u>	<u>605</u>	<u>12,050</u>	<u>11,812</u>	<u>342</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 714,510</u>	<u>\$ 141,652</u>	<u>\$ 865</u>	<u>\$ 605</u>	<u>\$ 12,050</u>	<u>\$ 11,812</u>	<u>\$ 342</u>	<u>\$ 547,184</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 4,407	\$ -	\$ -	\$ -	\$ 856	\$ -	\$ -	\$ 3,551
Family Support	12,984	-	6,000	-	1,615	-	-	5,369
Health and Safety	1,407	-	-	-	-	-	-	1,407
	<u>18,798</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>2,471</u>	<u>-</u>	<u>-</u>	<u>10,327</u>
Support:								
Management and General	14,630	864	11,075	456	2,147	88	-	-
	<u>14,630</u>	<u>864</u>	<u>11,075</u>	<u>456</u>	<u>2,147</u>	<u>88</u>	<u>-</u>	<u>-</u>
Other:								
Sales Tax Paid	407	-	-	407	-	-	-	-
Refund of Prior Year Grant	670	-	-	-	670	-	-	-
	<u>1,077</u>	<u>-</u>	<u>-</u>	<u>407</u>	<u>670</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 34,505</u>	<u>\$ 864</u>	<u>\$ 17,075</u>	<u>\$ 863</u>	<u>\$ 5,288</u>	<u>\$ 88</u>	<u>\$ -</u>	<u>\$ 10,327</u>

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

McDowell County Partnership for Children and Families, Inc.
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose – The McDowell County Partnership for Children and Families, Inc. (McDowell County Partnership, Inc.) is a legally separate nonprofit organization incorporated on August 25, 1994. The McDowell County Partnership, Inc. was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The McDowell County Partnership, Inc. is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

B. Basis of Presentation – The accompanying financial statements present all funds for which the McDowell County Partnership, Inc.'s Board of Directors is responsible. Pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this statement, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

Contributions that are temporarily restricted and not expended within the year received are reported as an increase in temporarily restricted net assets. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Receipts, Expenditures, and Net Assets as net assets released from restrictions.

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

C. Basis of Accounting – The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long-lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; it recognizes expenditures when paid rather than when incurred; and it does not recognize the value of in-kind goods and services received.

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.

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

McDowell County Partnership for Children and Families, Inc.
Notes to Financial Statements
June 30, 2008

NOTE 2 - DEPOSITS

All funds of the McDowell County Partnership, Inc. 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 McDowell County Partnership, Inc. to a concentration of credit risk. At June 30, 2008, the McDowell County Partnership, Inc. did not have any bank deposits in excess of the FDIC insured limit.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

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

The McDowell County Partnership, Inc. was awarded and has received \$715,342 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The McDowell County Partnership, Inc. has returned \$832 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

Juvenile Crime Prevention Council Parenting Matters Program – The McDowell County Partnership, Inc. received revenue and support from the North Carolina Department of Juvenile Justice and Delinquency Prevention based on a cost reimbursement pass-through contract with the Juvenile Crime Prevention Council. The McDowell County Partnership, Inc. was awarded \$8,482 and has received \$8,479 under a current year contract.

The McDowell County Partnership, Inc. did not apply to receive continued funding through a new contract with the North Carolina Department of Juvenile Justice and Delinquency Prevention.

McDowell County Partnership for Children and Families, Inc.
Notes to Financial Statements
June 30, 2008

NOTE 4 - RELATED PARTY TRANSACTIONS

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

NOTE 5 - FUNCTIONAL EXPENDITURES

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

A. Program Functions

Child Care and Education Affordability – Used to account for service activities including or associated with child care subsidy administration, child care cost supports, supplements for quality, part-day care programs, and supplements for quality outside the Division of Child Development.

Child Care and Education Quality – Used to account for service activities including child care resource and referral, salary supplements and kindergarten orientation and transition.

Family Support – Used to account for service activities including family resource centers, parenting skills training, teen parent and child programs, and literacy projects.

Health and Safety – Used to account for service activities including prenatal and newborn services and home visiting.

McDowell County Partnership for Children and Families, Inc.
Notes to Financial Statements
June 30, 2008

NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)

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 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 and printing) were indirectly allocated based on utilization data.

NOTE 6 - OPERATING LEASE OBLIGATIONS

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	\$ 8,917
2010	<u>8,917</u>
Total Minimum Lease Payments	<u>\$ 17,834</u>

Rental expense for all operating leases during the year was \$9,392.

McDowell County Partnership for Children and Families, Inc.
Notes to Financial Statements
June 30, 2008

NOTE 7 - PENSION PLAN

IRC Section 403(b) Plan – All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a non-contributory, defined contribution plan. 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.

NOTE 8 - RISK MANAGEMENT

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

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

Management believes such coverage is sufficient to preclude any significant losses to the McDowell County Partnership, Inc. 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 McDowell County Partnership, Inc.’s use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only, sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2008, is \$6,734. No funds or reservation of net assets have been made for this commitment.

McDowell County Partnership for Children and Families, Inc.
Notes to Financial Statements
June 30, 2008

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>
Kindergarten Transition	\$ 144
United Way Dental	<u>484</u>
Total	<u>\$ 628</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:

<u>Purpose</u>	<u>Amount</u>
United Way Dental	\$ 315
First Book	<u>369</u>
Total	<u>\$ 684</u>

This information is an integral part of the financial statements.

McDowell County Partnership for Children and Families, Inc.
Schedule of Contract and Grant Expenditures – Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<i>Paid to Organizations:</i>				
McDowell County Schools	* \$ 126,986	\$ 109	\$ 5,000	\$ -
McDowell County Department of Social Services	* 174,427	1	-	-
The McDowell Hospital, Inc.	* 69,280	464	-	-
McDowell Technical Community College	* 161,249	132	3,551	-
McDowell County Center	* 15,950	2	-	-
First Book		-	369	-
	<u>547,892</u>	<u>708</u>	<u>8,920</u>	<u>-</u>
<i>Paid to Individuals:</i>				
United Way Dental Fund	-	-	1,407	-
	<u>-</u>	<u>-</u>	<u>1,407</u>	<u>-</u>
	<u>\$ 547,892</u>	<u>\$ 708</u>	<u>\$ 10,327</u>	<u>\$ -</u>

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

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

Schedule 2

Organization Name	DHHS Contracts
McDowell County Department of Social Services *	\$ <u>256,783</u>

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

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

***McDowell County Partnership for Children and Families, Inc.
Schedule of State Awards – Modified Cash Basis
For the Year Ended June 30, 2008***

Schedule 3

<u>State Grantor/Pass-through Grantor/Program</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
State Awards:			
North Carolina Department of Health and Human Services			
Division of Child Development			
Pass-through from The North Carolina Partnership for Children, Inc.			
Early Childhood Initiatives Program	*	\$ 714,510	\$ 714,510
Multi-County Accounting and Contracting Grant	N/A	11,665	11,665
		<u>726,175</u>	<u>726,175</u>
North Carolina Department of Juvenile Justice and Delinquency Prevention			
Pass-through from Juvenile Crime Prevention Council Programs			
Parenting Matters Program	159028	8,479	8,479
		<u>8,479</u>	<u>8,479</u>
Total State Awards		<u><u>\$ 734,654</u></u>	<u><u>\$ 734,654</u></u>

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

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

Schedule 4

Furniture and Noncomputer Equipment	\$ 6,192
Computer Equipment and Printers	<u>22,027</u>
Total Property and Equipment	<u><u>\$ 28,219</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.

McDowell County Partnership for Children and Families, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2008

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 5,413
In-Kind Goods and Services	<u>11,609</u>
Total	<u><u>\$ 17,022</u></u>

Match Provided at the Contractor Level:

Cash	\$ 16,311
In-Kind Goods and Services	<u>133,729</u>
Total	<u><u>\$ 150,040</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
McDowell County Partnership, Inc. for Children and Families, Inc.
Marion, North Carolina

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

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the McDowell County Partnership, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the McDowell County Partnership, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the McDowell County Partnership, Inc.'s internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

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

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

Clifton Henderson LLP

Raleigh, North Carolina
January 31, 2009

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