PARTNERS FOR CHILDREN & FAMILIES, INC.
Carthage, 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

PARTNERS FOR CHILDREN & FAMILIES, INC.

CARTHAGE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

TOM BOALS, BOARD CHAIR

ADMINISTRATIVE OFFICER

TERRY REYNOLDS, EXECUTIVE DIRECTOR

STATE OF NORTH CAROLINA

Office of the State Auditor

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State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Directors, Partners for Children & Families, Inc.

This report presents the results of the financial statement audit of Partners for Children & 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.

Beth A. Wood

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Partners for Children & Families, Inc.
Carthage, North Carolina

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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

Clifton Gunderson LLP

Raleigh, North Carolina
March 31, 2009

Partners for Children & Families, Inc.
Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis
For the Year Ended June 30, 2008 ***Exhibit A***

	Unrestricted Funds		Temporarily	
	Smart Start Fund	**Other Funds**	**Restricted Funds**	**Total Funds**
Receipts:				
State Awards	$ 1,130,392	$ 11,665	$ -	$ 1,142,057
Private Contributions	-	8,991	606	9,597
Sales Tax Refunds	-	2,942	-	2,942
Other Receipts	-	1,234	-	1,234
Total Receipts	1,130,392	24,832	606	1,155,830
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	22,142	(22,142)	-
	1,130,392	46,974	(21,536)	1,155,830
Expenditures:				
Programs:				
Child Care and Education Affordability	145,829	-	-	145,829
Child Care and Education Quality	179,685	-	-	179,685
Family Support	165,855	22,375	-	188,230
Health and Safety	311,005	10,219	-	321,224
More at Four	105,000	-	-	105,000
Support:				
Management and General	127,654	11,665	-	139,319
Program Coordination and Evaluation	95,364	-	-	95,364
Other:				
Sales Tax Paid	-	3,491	-	3,491
Total Expenditures	1,130,392	47,750	-	1,178,142
Excess of Receipts Over Expenditures	-	(776)	(21,536)	(22,312)
Net Assets at Beginning of Year	-	661	25,250	25,911
Net Assets at End of Year	$ -	$ (115)	$ 3,714	$ 3,599
Net Assets Consisted of:				
Cash and Cash Equivalents	$ 867	$ (115)	$ 3,714	$ 4,466
Refunds Due From Contractors	3,927	-	-	3,927
	4,794	(115)	3,714	8,393
Less: Due to the State	4,794	-	-	4,794
Total	$ -	$ (115)	$ 3,714	$ 3,599

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

Partners for Children & 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	$ 145,829	$ -	$ -	$ -	$ -	$ -	$ -	$ 145,829
Child Care and Education Quality	179,685	-	-	-	-	-	-	179,685
Family Support	165,855	80,411	7,500	6,673	11,492	7,562	3,253	48,964
Health and Safety	311,005	43,018	-	720	3,004	1,675	-	262,588
More at Four	105,000	-	-	-	-	-	-	105,000
	907,374	123,429	7,500	7,393	14,496	9,237	3,253	742,066
Support:								
Management and General	127,654	99,619	2,942	5,471	11,934	7,688	-	-
Program Coordination and Evaluation	95,364	45,841	-	1,430	4,685	1,870	12,054	29,484
	223,018	145,460	2,942	6,901	16,619	9,558	12,054	29,484
Total Smart Start Fund Expenditures	$ 1,130,392	$ 268,889	$ 10,442	$ 14,294	$ 31,115	$ 18,795	$ 15,307	$ 771,550
Other Funds:								
Programs:								
Family Support	$ 22,375	$ -	$ 2,200	$ 7,273	$ 3,411	$ -	$ 6,074	$ 3,417
Health and Safety	10,219	-	-	6,068	4,151	-	-	-
	32,594	-	2,200	13,341	7,562	-	6,074	3,417
Support:								
Management and General	11,665	-	11,665	-	-	-	-	-
Other:								
Sales Tax Paid	3,491	-	-	3,491	-	-	-	-
Total Other Funds Expenditures	$ 47,750	-	$ 13,865	$ 16,832	$ 7,562	-	$ 6,074	$ 3,417

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **Organization and Purpose** – Partners for Children & Families, Inc. (Moore County Partnership) is a legally separate nonprofit organization incorporated on August 8, 1994. The Moore County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Moore County Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

B. **Basis of Presentation** – The accompanying financial statements present all funds for which the Moore County 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 Moore County Partnership did not have any permanently restricted net assets at June 30, 2008.

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

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

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, Moore County Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Moore County Partnership has a policy to track purchases of property and equipment items with an individual cost of $500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2008. Donated items are recorded at estimated fair market value at the date of donation.

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 Moore County Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management’s belief that these estimates are reasonable and fair.

NOTE 2 - DEPOSITS

All funds of the Moore County Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000 per bank. Deposits over this amount subject the Moore County Partnership to a concentration of credit risk.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

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

The Moore County Partnership was awarded and has received $1,135,186 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Moore County Partnership has returned $4,794 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations – The board members of the Moore County Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Moore County Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Moore County Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by NCPC and DHHS with board member organizations for activities funded by the Moore County 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 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 child care subsidy administration (Division of Child Development), child care cost supports (DCD), child care subsidy programs outside of DCD and supplements for quality (DCD).

Child Care and Education Quality – Used to account for service activities including child care resource and referral, professional development, salary supplements, provider training and health/safety training for child care professionals.

Family Support – Used to account for service activities including parenting skills training, ongoing parenting education, general family support, literacy projects, family literacy projects, community outreach information and resources and family support needs and resources assessments.

Health and Safety – Used to account for service activities including oral health services, prenatal/newborn services, child care health consultants, comprehensive health support, special needs – early intervention services/special education or home visiting.

More at Four – Used to account for development and implementation of 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

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.

NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)

B. Support Functions (continued)

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 of occupancy costs (rent, utilities, and maintenance), benefited more than one purpose and were allocated based on utilization data.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Operating Lease Obligations – Moore County Partnership leases its office and certain office equipment. Future minimum lease payments under non-cancellable operating lease obligations consist of the following at June 30, 2008:

Fiscal Year	Operating Leases
2009	$ 22,427
2010	107
Total Minimum Lease Payments	$ 22,534

Rental expense for all operating leases during the year was $15,427.

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 (the 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 Moore County Partnership.

NOTE 8 - RISK MANAGEMENT

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

Type of Loss	Method Managed	Risk of Loss Retained
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 Moore County 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 Moore County Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2008, is $3,150. No funds or reservation of net assets have been encumbered 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:

Purpose	Amount
Cover Moore Kids	$ 3,548
Health Fair	166
Total	$ 3,714

NOTE 10 - RESTRICTIONS ON NET ASSETS (CONTINUED)

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

Purpose	Amount
Cover Moore Kids	$ 18,504
Health Fair	3,638
Total	$ 22,142

NOTE 11 - NET ASSETS DEFICIT

At June 30, 2008, the Moore County Partnership has an unrestricted net assets deficit in Other Funds of ($115). The deficit represents a contingency to the Moore County Partnership that it has potentially spent restricted funds for purposes other than as intended by the donor or grantee.

Partners for Children & Families, Inc.
Schedule of Contract and Grant Expenditures – Modified Cash Basis
For the Year Ended June 30, 2008 *Schedule 1*

		Smart Start Fund		Other Funds	
Organization Name		Amount Advanced	Refund Due	Amount Advanced	Refund Due
Paid to Organizations:					
Child Care Connections	*	$ 179,930	$ 245	$ -	$ -
Evaluation Resources		19,500	-	-	-
First Health of the Carolinas		72,900	416	-	-
First Health Dental Care Center		68,603	-	-	-
Moore County Schools	*	187,398	1,910	-	-
Moore County Cooperative Extension Service	*	20,000	-	-	-
Sandhills Children's Center		33,433	-	-	-
Sandhills Community College	*	147,000	1,171	-	-
Sandhills Community Care Network	*	36,113	185	3,012	-
		764,877	3,927	3,012	-
Paid to Individuals:					
Child Safety Seats		10,000	-	-	-
Community Education		200	-	-	-
Parents as Teachers		100	-	-	-
Motheread		300	-	-	-
Children's Health Fair		-	-	405	-
		10,600	-	405	-
Total		$ 775,477	$ 3,927	$ 3,417	$ -

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

Partners for Children & Families, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2008 *Schedule 2*

Organization Name	DHHS Contracts
* Moore County Department of Social Services	$ 319,980
Child Care Services - WAGE$	170,020
	$ 490,000

* 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.

Partners for Children & Families, Inc.
Schedule of State Awards – Modified Cash Basis
For the Year Ended June 30, 2008 ***Schedule 3***

State Grantor/Pass-through Grantor/Program		Contract #	Receipts	Expenditures
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	*		$ 1,130,392	$ 1,130,392
Multi-County Accounting and Contracting Grant			11,665	11,665
Total State Awards			$ 1,142,057	$ 1,142,057

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

Partners for Children & Families, Inc.
Schedule of Property and Equipment – Modified Cash Basis
For the Year Ended June 30, 2008 ***Schedule 4***

Furniture and Noncomputer Equipment	$	18,830
Computer Equipment and Printers		12,007
Motor Vehicles		2,440
Total Property and Equipment	$	33,277

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.

Partners for Children & Families, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2008 *Schedule 5*

Match Provided at the Partnership Level:

Cash	$	9,116
In-Kind Goods and Services		51,661
Total	$	60,777

Match Provided at the Contractor Level:

Cash	$	157,486
In-Kind Goods and Services		39,894
Total	$	197,380

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
Partners for Children & Families, Inc.
Carthage, North Carolina

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

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

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 Moore County Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Clifton Gunderson LLP

Raleigh, North Carolina
March 31, 2009

ORDERING INFORMATION

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

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

Telephone: 919/807-7500

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