

**FINANCIAL STATEMENT AUDIT REPORT OF
ROCKINGHAM COUNTY PARTNERSHIP FOR CHILDREN, INC.**

WENTWORTH, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

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

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

**FINANCIAL STATEMENT AUDIT REPORT OF
ROCKINGHAM COUNTY PARTNERSHIP FOR CHILDREN, INC.**

WENTWORTH, NORTH CAROLINA

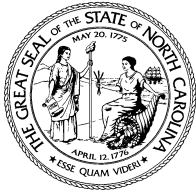
FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

MELANIE MILLER, BOARD CHAIR

ADMINISTRATIVE OFFICER

HEATHER A. KILPATRICK, 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, Rockingham County Partnership for Children, Inc.

This report presents the results of the financial statement audit of Rockingham County Partnership for Children, Inc. for the year ended June 30, 2008. Foster & Dorr PC 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
Rockingham County Partnership for Children, Inc.
Wentworth, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Rockingham County Partnership for Children, Inc. (Rockingham 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 Rockingham 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 Rockingham Partnership as of June 30, 2008, and its receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2008, on our consideration of the Rockingham 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

Foster & Dorr P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rockingham 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.

Foster & Dorr P.C.

Certified Public Accountants

December 8, 2008

Rockingham County Partnership for Children, 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	Permanently Restricted Funds	Total Funds
	Smart Start Fund	Other Funds			
Receipts:					
State Awards	\$ 1,248,508	\$ 1,323,719	\$ 0	\$ 0	\$ 2,572,227
Federal Awards		32,125			32,125
Private Contributions		61,332	2,286	17,503	81,121
Special Fund Raising Events		709		3,435	4,144
Interest and Investment Earnings		2,435	44	1,333	3,812
Sales Tax Refunds		7,220			7,220
Other Receipts		14,070			14,070
Total Receipts	1,248,508	1,441,610	2,330	22,271	2,714,719
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions		38,695	(38,695)		
	1,248,508	1,480,305	(36,365)	22,271	2,714,719
Expenditures:					
Programs:					
Child Care and Education Affordability	107,750				107,750
Child Care and Education Quality	282,963	66,991			349,954
Family Support	244,312	43,939			288,251
Health and Safety	197,889				197,889
More at Four	218,288	1,279,028			1,497,316
Support:					
Management and General	142,065	50,282			192,347
Program Coordination and Evaluation	55,401	321			55,722
Other:					
Refund of Prior Year Grant		8,123			8,123
Sales Tax Paid		7,112			7,112
Total Expenditures	1,248,668	1,455,796			2,704,464
Excess of Receipts Over Expenditures	(160)	24,509	(36,365)	22,271	10,255
Net Assets at Beginning of Year	160	39,070	38,695	33,556	111,481
Net Assets at End of Year	\$ 0	\$ 63,579	\$ 2,330	\$ 55,827	\$ 121,736
Net Assets Consisted of:					
Cash and Cash Equivalents	\$ 445	\$ 63,579	\$ 2,330	\$ 40,712	\$ 107,066
Investments				15,115	15,115
Refunds Due From Contractors	2,915				2,915
	3,360	63,579	2,330	55,827	125,096
Less: Due to the State	(3,360)				(3,360)
	\$ 0	\$ 63,579	\$ 2,330	\$ 55,827	\$ 121,736

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

Rockingham County Partnership for Children, 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	\$ 107,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 107,750
Child Care and Education Quality	282,963	138,243	5,778	12,992	42,310	2,916	10,877	69,847
Family Support	244,312	132,121	961	9,946	28,346	9,732	2,834	60,372
Health and Safety	197,889							197,889
More at Four	218,288	33,743	25	4,085	9,904	708	2,638	167,185
	<u>1,051,202</u>	<u>304,107</u>	<u>6,764</u>	<u>27,023</u>	<u>80,560</u>	<u>13,356</u>	<u>16,349</u>	<u>603,043</u>
Support:								
Management and General	142,065	99,085	5,720	5,381	20,412	7,931	3,536	
Program Coordination and Evaluation	55,401	41,168	6,944	1,188	4,745	70	1,286	
	<u>197,466</u>	<u>140,253</u>	<u>12,664</u>	<u>6,569</u>	<u>25,157</u>	<u>8,001</u>	<u>4,822</u>	
Total Smart Start Fund Expenditures	<u>\$ 1,248,668</u>	<u>\$ 444,360</u>	<u>\$ 19,428</u>	<u>\$ 33,592</u>	<u>\$ 105,717</u>	<u>\$ 21,357</u>	<u>\$ 21,171</u>	<u>\$ 603,043</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 66,991	\$ 21,439	\$ 18,036	\$ 8,259	\$ 7,366	\$ 2,755	\$ 2,334	\$ 6,802
Family Support	43,939	34,254	1,970	2,127	1,384	473	1,076	2,655
More at Four	1,279,028	43,330	904	784	3,285	326	310	1,230,089
	<u>1,389,958</u>	<u>99,023</u>	<u>20,910</u>	<u>11,170</u>	<u>12,035</u>	<u>3,554</u>	<u>3,720</u>	<u>1,239,546</u>
Support:								
Management and General	50,282		11,665	586	2,675	47	35,309	
Program Coordination and Evaluation	321						321	
	<u>50,603</u>		<u>11,665</u>	<u>586</u>	<u>2,675</u>	<u>47</u>	<u>35,630</u>	
Other:								
Refund of Prior Year Grant	8,123				8,123			
Sales Tax Paid	7,112			7,112				
	<u>15,235</u>			<u>7,112</u>	<u>8,123</u>			
Total Other Funds Expenditures	<u>\$ 1,455,796</u>	<u>\$ 99,023</u>	<u>\$ 32,575</u>	<u>\$ 18,868</u>	<u>\$ 22,833</u>	<u>\$ 3,601</u>	<u>\$ 39,350</u>	<u>\$ 1,239,546</u>

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

ROCKINGHAM COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Rockingham County Partnership for Children, Inc. (Rockingham Partnership) is a legally separate nonprofit organization incorporated on September 14, 1995. The Rockingham Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Rockingham 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 Rockingham Partnership 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.

Permanently Restricted contributions are subject to donor-imposed stipulations that they be maintained permanently. Investment earnings from the contributed funds with donor restrictions may be recorded as unrestricted, temporarily or permanently restricted net assets based on the nature of the restrictions.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. 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 consists of stock invested in an Endowment fund with Edward Jones as reported in Note 10C.
- 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, Rockingham Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Rockingham 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

- J. Use of Estimates** - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Rockingham 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 Rockingham Partnership deposited with a commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over \$100,000 subjects the Rockingham Partnership to a concentration of credit risk. At June 30, 2008, the Rockingham Partnership's bank deposits in excess of the FDIC insured limit was \$90,250.

Deposits held in the Rockingham Partnership's Endowment Fund (See Note 10C) are insured by the Securities Investor Protection Corporation (SIPC) up to \$100,000. At year-end, the Rockingham Partnership did not have deposit amounts in excess of its SIPC coverage.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Rockingham 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 Rockingham Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Rockingham Partnership was awarded and has received \$1,251,868 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Rockingham Partnership has returned \$3,360 to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

More at Four - The Rockingham Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Rockingham Partnership was awarded \$1,312,054 under a current year cost-reimbursement contract. The unexpended balance of this contract is subject to reversion to the State, excluding administrative funds. The Rockingham Partnership expects to receive continued funding through new More at Four contracts with the State.

CCR&R Regional Block Grant - The Rockingham Partnership also received revenue and support from the Division of Child Development based on a cost-reimbursement contract with the Guilford Child Development for the support of the Child Care Resource & Referral program. The Rockingham Partnership was awarded \$32,125 under a current year CCR&R Regional Block Grant contract with Guilford Child Development. The unexpended balance of this contract is subject to reversion to the government. The Rockingham Partnership expects to receive continued funding through new CCR&R Regional Block Grant contracts with the Guilford Child Development.

Parents as Teachers Expansion Grant - The Rockingham Partnership also received revenue and support from Annie Penn Community Trust for the expansion of the Parents As Teachers program to include a Teen Parent Educator. The Rockingham Partnership was awarded and received \$60,000 under a grant agreement with Annie Penn Community Trust. The unexpended balance of this contract is subject to reversion to Annie Penn Community Trust.

Conscious Discipline Collaborative Expansion Grant - Moss Street Elementary School - The Rockingham Partnership also received revenue and support from Annie Penn Community Trust to provide coaching and materials on the implementation of Conscious Discipline classroom management program at Moss Street Elementary School. The Rockingham Partnership was awarded \$16,230 under a grant agreement with Annie Penn Community Trust. The grant was carried as temporarily restricted at June 30, 2007, and the funds were all expended during the current fiscal year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RELATED PARTY TRANSACTIONS

- A. Service Provider Contracts with Board Member Organizations** - The board members of the Rockingham Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Rockingham Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Rockingham 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 NCPD and/or DHHS with board member organizations for activities funded by the Rockingham Partnership Smart Start Allocation.
- B. Other Related Parties** - The Rockingham Partnership entered into transactions for insurance with a private business associated with a board member and a relative of an employee of Rockingham Partnership. The amounts paid were employees' payroll deductions

NOTE 5 - FUNCTIONAL EXPENDITURES

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

A. Program Functions

Child Care and Education Affordability - Used to account for service activities associated with child care subsidy administration (Division of Child Development) and child care transportation.

Child Care and Education Quality - Used to account for service activities associated with child care resource and referral, professional development, salary supplements, provider training, health/safety training for child care professionals, learning materials and teaching aids.

Family Support - Used to account for service activities associated with parenting skills training, ongoing parenting education, general family support, family crisis intervention, literacy projects, family literacy projects, transportation services and community outreach information and resources.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Health and Safety - Used to account for service activities associated with speech and hearing screenings, vision screenings, comprehensive screenings, comprehensive health services, prenatal/newborn services, child care health consultants, comprehensive health support, child abuse and neglect intervention, special needs – early intervention services/special education, transportation to health services, health needs and resources assessment, developmental screenings and home visiting.

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

B. Support Functions

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

Program Coordination and Evaluation - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring 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 employees' actual 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - OPERATING LEASE OBLIGATIONS

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

<u>Fiscal Year</u>	<u>Operating Leases</u>
2009	\$ 924
2010	924
2011	924
2012	<u>385</u>
Total Minimum Lease Payments	<u>\$ 3,157</u>

Rental expense for all operating leases during the year was \$10,768.

NOTE 7 - PENSION PLAN

The Rockingham Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of the Rockingham Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Rockingham Partnership contributed 3% of gross wages for the year ended June 30, 2008. The Rockingham Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Rockingham Partnership contributed \$7,115 for pension benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Rockingham 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 Rockingham 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 (CONTINUED)

Management believes such coverage is sufficient to preclude any significant losses to the Rockingham 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 Rockingham 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, was \$30,592. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

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

<u>Purpose</u>	<u>Amount</u>
Annie Penn Teen Parent Educator Grant	\$ 2,286
Capital Campaign for Room Expansion	44
	<u>\$ 2,330</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>
Annie Penn Parents As Teachers Expansion Grant	\$ 21,418
Conscious Discipline Grant – Moss Street	16,230
Crusade for Kids	1,047
	<u>\$ 38,695</u>

C. Permanently Restricted Net Assets - Permanently restricted net assets at June 30, 2008 were restricted for the following purpose:

<u>Purpose</u>	<u>Amount</u>
Early Childhood Education Endowment	<u>\$ 55,827</u>

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

The Rockingham County Partnership for Children Early Childhood Education Fund is devoted to supporting professional development of early childhood educators in Rockingham County and the work of the Rockingham Partnership.

The Rockingham County Partnership for Children Early Childhood Education Fund was established by an agreement between Rockingham Partnership and the donor. All contributions to the Endowment are irrevocable. The Endowment, including all investment income, capital gains, and subsequent contributions, are the property of Rockingham Partnership. The Endowment will be governed by Trustees derived from members of the Rockingham Partnership Board of Directors with no conflict in interest with the designated purposes of the fund. The Trustees may make annual distributions of the income earned on the Endowment, subject to limitations stated in the agreement. The agreement also permits the Grantor of the Endowment to substitute another beneficiary in place of Rockingham Partnership in the event of the organization ceasing to exist. For the year ended June 30, 2008, the Rockingham Partnership waived the receipt of its annual income distribution, electing for those monies to be added to its existing Endowment balance. Under the modified cash basis of accounting the endowment investments are carried at cost and an unrealized loss of \$6,007 has not been recognized. The cost and fair market value of endowment assets at June 30, 2008 were as follows.

	Carrying Value	Fair Market Value
Money Market	\$ 40,712	\$ 40,712
Equity Securities	15,115	9,108
	<u>\$ 55,827</u>	<u>\$ 49,820</u>

NOTE 11 - SUBSEQUENT EVENTS

During a monitoring visit conducted by NCPC, it was determined that an unallowable expenditure was incorrectly coded in fiscal year 2006-2007. This amount totaling \$160 appears as the beginning net assets balance for the Smart Start fund and is included in the funds Due to the State and reverted to NCPC.

Rockingham County Partnership for Children, 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
Direct Service Providers				
Council on Aging	\$ 110,750	\$ 0	\$ 0	\$ 0
* Edu-Care Academy	34,200		89,100	
First Presbyterian Child Development Center	3,747			
* HELP, Inc.	54,675			
Jordans Child Care (reversion)	(77)			
Kids World #2 of Stoneville	32,400		89,100	
Little Hands Childhood Development Center	2,229			
* Little Kings & Queens Day Care	32,400		89,100	
Morehead Academy	22,680		98,100	
Reidsville High School Early Childhood Center	20,700		56,925	
* Rockingham Community College	21,044	400		
* Rockingham County Department of Public Health	134,804	2,515		
* Rockingham County Head Start			156,052	
* Rockingham County Schools			582,907	
Rockingham Pregnancy Care Center	65,600			
Western Rockingham Early Childhood Center	18,430		68,805	
	<u>553,582</u>	<u>2,915</u>	<u>1,230,089</u>	
Individuals:				
Books & Materials Distribution	11,769		4,577	
* Education Incentives	37,900		3,550	
Education Incentives	450			
Participant Training	2,257		1,330	
	<u>52,376</u>		<u>9,457</u>	
	<u>\$ 605,958</u>	<u>\$ 2,915</u>	<u>\$ 1,239,546</u>	<u>\$ 0</u>

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

***Rockingham County Partnership for Children, Inc.
Schedule of State Level Service Provider Contract
For the Year Ended June 30, 2008***

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association, Inc. - WAGE\$	\$ 125,000
* Rockingham County Department of Social Services	398,113
	<u>\$ 523,113</u>

* Organization represented on the Partnership's Board as described in Note 4A - Service Provider Contract with Board Member Organization.

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.

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

Schedule 3

<u>State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
Federal Awards:				
US Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development				
Pass-through from Guilford Child Development Child Care and Development Block Grant				
	93.575	014-08-01	\$ 32,125	\$ 32,072
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	1,248,508	1,248,508
Multi-County Accounting and Contracting Grant				
		N/A	11,665	11,665
North Carolina Department of Public Instruction,				
Office of School Readiness				
More at Four Pre-Kindergarten Program 2007				
	*	0072-08	1,312,054	1,266,457
Total State Awards			<u>2,572,227</u>	<u>2,526,630</u>
Total Federal and State Awards			<u>\$ 2,604,352</u>	<u>\$ 2,558,702</u>

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

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

Schedule 4

Furniture and Noncomputer Equipment	\$	14,198
Computer Equipment / Printers		58,947
Buildings		104,475
Land		130,061
Leasehold Improvements		<u>37,040</u>
Total Property and Equipment	\$	<u><u>344,721</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.

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

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	95,002
In-Kind Goods and Services		8,609
		<hr/>
	\$	103,611
		<hr/> <hr/>

Match Provided at the Contractor Level:

Cash	\$	77,470
In-Kind Goods and Services		102,624
		<hr/>
	\$	180,094
		<hr/> <hr/>

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

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

Board of Directors
Rockingham County Partnership for Children, Inc.
Wentworth, North Carolina

We have audited the financial statements of the Rockingham County Partnership for Children, Inc. (Rockingham Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 8, 2008. 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 Rockingham 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 Rockingham Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rockingham 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 Rockingham 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 Rockingham Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Rockingham Partnership's internal control.

Foster & Dorr P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**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 Rockingham 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 Rockingham 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.

We noted certain matters that we reported to management of Rockingham Partnership in a separate letter dated December 8, 2008.

This report is intended solely for the information and use of the Rockingham Partnership's Board of Directors, management of the Rockingham 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.



Certified Public Accountants

December 8, 2008

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
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