

FINANCIAL STATEMENT AUDIT REPORT OF

ASHE COUNTY PARTNERSHIP FOR CHILDREN

JEFFERSON, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2009

BOARD OF DIRECTORS

PATRICIA CALLOWAY, BOARD CHAIR

ADMINISTRATIVE OFFICER

SARAH L. WOLF, EXECUTIVE DIRECTOR

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ashe County Partnership for Children
Jefferson, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis of the Ashe County Partnership for Children (Ashe Partnership) as of June 30, 2009, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Ashe 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 Ashe County Partnership for Children as of June 30, 2009, 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 October 29, 2009 on our consideration of the Ashe 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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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.

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

Tichenor & Associates, LLP

Tichenor & Associates, LLP

October 29, 2009

*Ashe County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2009*

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Permanently Restricted Funds	Total Funds
	Smart Start Fund	Other Funds			
Receipts:					
State Awards	\$ 446,920	\$ 180,126	\$ 0	\$ 0	\$ 627,046
Federal Awards		375,916			375,916
Local Awards		11,980			11,980
Private Contributions		41,498	52,639		94,137
Special Fund Raising Events		745	709		1,454
Interest and Investment Earnings		2,140			2,140
Building Operations Revenue		42,185			42,185
Creative Food Ventures Revenue		20,031			20,031
Thrift Shop Revenue		21,650	17,842		39,492
Accounting Services Reimbursements		47,715			47,715
Sales Tax Refunds		4,640			4,640
Other Receipts		7,103			7,103
Total Receipts	446,920	755,729	71,190		1,273,839
Net Assets Released from Restrictions:					
Satisfaction of Program Restrictions		102,009	(102,009)		
	446,920	857,738	(30,819)		1,273,839
Expenditures:					
Programs:					
Child Care and Education Affordability	56,888				56,888
Child Care and Education Quality	169,994	34,013			204,007
Creative Food Ventures		58,216			58,216
Domestic Violence Awareness and Prevention		299,813			299,813
Family Support	37,053	360,401			397,454
Health and Safety	32,750	500			33,250
Support:					
Building Operations		35,426			35,426
Management and General	115,414	66,963			182,377
Program Support	34,821	3,605			38,426
Other:					
Sales Tax Paid		4,694			4,694
Total Expenditures	446,920	863,631			1,310,551
Excess of Receipts Over Expenditures		(5,893)	(30,819)		(36,712)
Net Assets at Beginning of Year		(3,069)	113,541	10,000	120,472
Net Assets at End of Year	\$ 0	\$ (8,962)	\$ 82,722	\$ 10,000	\$ 83,760
Net Assets Consisted of:					
Cash and Cash Equivalents	\$ 0	\$ (10,206)	\$ 82,989	\$ 0	\$ 72,783
Benefit Interest in the Community Foundation				10,000	10,000
		(10,206)	82,989	10,000	82,783
Less: Funds Held for Others		(1,244)	267		(977)
	\$ 0	\$ (8,962)	\$ 82,722	\$ 10,000	\$ 83,760

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

**Ashe County Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2009**

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 and								
Programs:								
Child Care and Education Affordability	\$ 56,888	\$ 36,662	\$ 0	\$ 252	\$ 196	\$ 16,479	\$ 3,299	\$ 0
Child Care and Education Quality	169,994	59,352	2,402	4,281	9,165	7,139	2,055	85,600
Family Support	37,053	13,647	7,585	7,799	4,051	601	3,370	
Health and Safety	32,750							32,750
Support:	296,685	109,661	9,987	12,332	13,412	24,219	8,724	118,350
Management and General Program Support	115,414	71,122	4,712	6,630	11,240	13,579	8,131	
	34,821	20,026	7,954	2,633	2,466	1,742		
	150,235	91,148	12,666	9,263	13,706	15,321	8,131	
Total Smart Start Fund Expenditures	\$ 446,920	\$ 200,809	\$ 22,653	\$ 21,595	\$ 27,118	\$ 39,540	\$ 16,855	\$ 118,350
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 34,013	\$ 22,663	\$ 4,476	\$ 1,811	\$ 5,063	\$ 0	\$ 0	\$ 0
Creative Food Ventures	58,216	20,534	1,034	1,756	1,753	18,404	14,735	
Domestic Violence Awareness and Prevention	299,813	209,475	2,161	14,621	28,456	19,183	15,087	10,830
Family Support	360,401	146,095	12,803	1,342	13,628	26,972	557	159,004
Health and Safety	500							500
Support:	752,943	386,767	20,474	19,530	48,900	64,559	30,379	170,334
Building Operations Management and General Program Support	35,426				(3,404)	38,830		
	66,963	56,465	3,605	801	5,322	4,375		
	3,605							
Other:	105,994	56,465	3,605	801	1,918	43,205		
Sales Tax Paid	4,694			4,694				
Total Other Funds Expenditures	\$ 863,631	\$ 455,232	\$ 24,079	\$ 25,025	\$ 50,818	\$ 107,764	\$ 30,379	\$ 170,334

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

ASHE COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Ashe County Partnership for Children (Ashe Partnership) is a legally separate nonprofit organization incorporated on January 17, 1995. The Ashe Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Ashe 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 Ashe 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.

Permanently restricted net assets include gifts and contributions that are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by the actions of the Ashe Partnership. The net assets are invested in perpetuity with only the income from such investments available for program operations.

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 recognizes debt incurred to purchase long lived assets as revenue in the year the debt

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

proceeds are received and principal and interest payments on debt as expenditures when paid.

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.

- 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 funds invested in an endowment fund with the North Carolina Community Foundation, Inc. as reported in Note 11.
- F. Due to the State** - The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Ashe Partnership acts in an agency capacity.
- 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, Ashe Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Ashe 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, 2009. 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

J. Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Ashe 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.

K. Events Occurring After Reporting Date - The Ashe Partnership has evaluated events and transactions that occurred between June 30, 2009 and October 29, 2009, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS

All funds of the Ashe Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits over this amount subjects the Ashe Partnership to a concentration of credit risk. At June 30, 2009 there were no amounts on deposit subject to a concentration of credit risk.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Ashe 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 Ashe 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 Ashe Partnership was awarded and has received \$446,920 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Ashe Partnership has expended the full amount of this contract as of June 30, 2009.

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

Support Our Students Program (SOS) - The Ashe Partnership received additional revenue and support from the State of North Carolina based on two contracts with the Department of Juvenile Justice and Delinquency Prevention (DJJDP) for the Support Our Students Program. The Ashe Partnership was awarded \$152,330 under the current year SOS contracts with DJJDP and has received \$138,746 of this amount, including \$52,992 passed through from the United States Department of Health and Human Services.

Family Resource Center Program (FRC) - The Ashe Partnership received additional revenue and support from the United States Department of Health and Human Services, which passed through the State of North Carolina based on a cost-reimbursement contract with DHHS for the Family Resource Center Program.

The Ashe Partnership was awarded \$100,000 under a current year contract with DHHS and has received \$79,581 of this amount. The unexpended balance of this contract is subject to reversion to the State.

Even Start Program - The Ashe Partnership received additional revenue and support from the United States Department of Education, which passed through the State of North Carolina based on a cost-reimbursement contract with the Department of Public Instruction (DPI) for the Even Start Program.

The Ashe Partnership was awarded \$94,700 under a current year contract with DPI and has received \$39,185 of this amount. The unexpended balance of this contract is subject to reversion to the State. The Ashe Partnership expects to receive continued funding through new Even Start Program contracts with the State.

A Safe Home for Everyone Program (ASHE) - The Ashe Partnership received additional revenue and support from the United States Department of Justice, which passed through the State of North Carolina based on a cost-reimbursement contract with the Department of Crime Control and Public Safety (DCCPS) for the A Safe Home for Everyone Program.

The Ashe Partnership was awarded \$70,000 under a current year contract with DCCPS and has received \$56,074 of this amount. The unexpended balance of this contract is subject to reversion to the State. The Ashe Partnership expects

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

to receive continued funding through new ASHE Program contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

B. Other Related Parties

Ashe County Children's Trust Endowment - The Ashe County Children's Trust Endowment Committee consists of seven voting members, two of which are Ashe Partnership board members. The purpose of the Committee is to provide financial resources for programs conducted by the Ashe County 4-H and the Ashe Partnership to enrich the quality of life for all children in Ashe County. This bank account is maintained by the Ashe County Cooperative Extension office (4-H).

Creative Food Ventures - The Ashe Partnership closed down the operation of the Creative Food Ventures kitchen on December 31, 2008. On April 20, 2009, the Ashe Partnership's Board voted to transfer ownership of all fixed assets related to the Creative Food Ventures kitchen to the County of Ashe, which is a related party. The original purchase price of these fixed assets was \$141,192.

Family Central Enterprise Corporation - The Family Central Enterprise Corporation (FCEC) is a non-profit corporation that was created by the Ashe Partnership in 2007 to manage the Ashe Partnership's building (Family Central). FCEC began managing Family Central on July 1, 2008. FCEC's Board of Directors consists of fifteen members, eight of which are Ashe Partnership Board members. The Ashe Partnership paid FCEC \$82,159 in rent during the fiscal year.

The Ashe Partnership's Board determined a large number of their fixed assets would be more appropriately maintained by FCEC. On January 26, 2009 the Ashe Partnership's Board voted to transfer furniture and equipment to FCEC. The original purchase price of these fixed assets was \$35,790. The Ashe Partnership plans to transfer leasehold improvements

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

totaling \$1,240,934 once the Family Central lease with the County of Ashe is modified to remove the Ashe Partnership as the leasee.

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 part-day programs.

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

Creative Food Ventures - Used to account for activities associated with the operation of a community kitchen and catering operation. The Partnership discontinued this activity on December 31, 2008.

Domestic Violence Awareness and Prevention - Used to account for activities associated with providing assistance services for victims and survivors of domestic violence and family crisis intervention.

Family Support - Used to account for service activities including parent education, literacy programs, community outreach, and information and resources.

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

B. Support Functions

Building Operations - Expenditures related to the repayment of a United States Department of Agriculture, Rural Housing Service Loan; and transfer of building management responsibilities to the Family Central Enterprise Corporation.

Management and General - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Support - 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 contract.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Allocated 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 allocated based on utilization data.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2009:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2010	\$ 70,050
2011	6,934
2012	6,934
2013	4,622
Total Minimum Lease Payments	<u>\$ 88,540</u>

Rental expense for all operating leases during the year was \$94,250.

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 defined contribution plan in which each employee of the Ashe Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Ashe Partnership contributed 5% of gross wages for the year ended June 30, 2009. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Ashe Partnership contributed \$10,492 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Ashe 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 Ashe 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

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

- A. Compensated Absences** - As a result of the Ashe 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, 2009, is \$20,760. No funds or reservation of net assets has been made for this commitment.
- B. Loan Commitment** - The Ashe Partnership has a note with a balance of \$383,492 at June 30, 2009 that is secured by both the Family Central building complex (which the Ashe Partnership leases from Ashe County) and by the income of the organization. The note is payable to the United States Department of Agriculture, Rural Housing Service in annual installments of \$38,440. This amount includes principal and interest computed at an annual rate of 4.5%.

The future scheduled maturities of long-term debt are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year	Principal Amount	Interest Amount
2010	\$ 21,183	\$ 17,257
2011	22,136	16,304
2012	23,132	15,308
2013	24,173	14,267
2014	25,261	13,179
2015-2019	144,415	47,785
2020-2023	123,192	13,023
Total Loan Payments	<u>\$ 383,492</u>	<u>\$ 137,123</u>

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2009 are available for the following purposes:

Purpose	Amount
Credit Counseling	\$ 124
Domestic Violence Awareness and Prevention	52,663
Energy Efficiency	351
Imagination Library	11,717
Thrift Shop Operations	<u>17,867</u>
Total	<u>\$ 82,722</u>

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2009, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Capacity Building	\$ 12,439
Creative Food Ventures	14,747
Domestic Violence Awareness and Prevention	47,333
Imagination Library	4,599
Thrift Shop Operations	<u>22,891</u>
Total	<u>\$ 102,009</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS

Net assets were permanently restricted for the following purpose at June 30, 2009:

Purpose	Amount
Ashe County Children's Trust Endowment	\$ <u>10,000</u>

NOTE 12 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Ashe County Children's Trust Endowment (Trust) was established through the North Carolina Community Foundation, Inc. (Foundation) on March 22, 1999. The Ashe Partnership established the Trust in conjunction with the Ashe County 4-H and its purpose is devoted to the support of the Ashe Partnership and the Ashe County 4-H programs. The Ashe Partnership presents the above amount as a beneficial interest in the foundation.

The agreement between the Ashe Partnership, the Ashe County 4-H, and the Foundation provides that all the contributions to the Trust are irrevocable. The Trust, including all investment income, capital gains, and subsequent contributions, are the Foundation's property. The Foundation will make annual distributions of the income earned on the Trust, subject to the Foundation's spending policy. The Foundation may distribute all or any part of the Trust at the Foundation's discretion; however, it is the Foundation's general policy that a substantial part of the Trust remains as a permanent endowment of the Foundation. The agreement also permits the Foundation to substitute another beneficiary in the place of the Ashe Partnership and the Ashe County 4-H if both organizations cease to exist. Therefore, the Ashe Partnership and Ashe County 4-H have explicitly granted variance power to the Foundation.

The Ashe Partnership's endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as a Benefit Interest in the Community Foundation. The amount invested with the Foundation by the Partnership has been identified on the Ashe Partnership's financial statement. At June 30, 2009 the Trust had a market value of \$46,649; however, under the modified cash basis of accounting, the original cost basis of contributions are reported on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis.

NOTE 13 - ENDOWMENTS

In August 2008, FASB Staff Position No. FAS 117-1 (FSP), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act*, was issued, and its guidance is effective for fiscal years after December

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15, 2008, with earlier adoption permitted. A key component of the FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component of the FSP is a requirement for expanded disclosures for all endowment funds.

Through March 19, 2009, the Ashe Partnership's management and investment of donor-restricted endowment funds was subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA) that serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of the UMIFA's important concept of historic dollar threshold, the amount below which an organization could not spend from a fund, in favor of a more robust set of guidelines about what constitutes prudent spending. The Ashe Partnership's endowment consists of a beneficial interest in a community foundation. Endowments include donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Ashe Partnership's management has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Board classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure, by the Ashe Partnership, in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Ashe Partnership considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the organization and the donor-restricted endowment fund;
- (3) General economic conditions;

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the organization; and
- (7) The investment policies of the organization.

Return Objectives and Risk Parameters

The Ashe Partnership has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Ashe Partnership must hold in perpetuity. Under this policy, as approved by the Ashe Partnership Board of Directors, the endowment assets are invested in a manner that intended to produce results that exceed the rate of inflation as measured by the annual Consumer Price Index plus the annual spending distribution and fees as adopted by the Board. Actual returns in any given year may vary from this amount.

Endowment Net Asset Composition by Fund Type

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

NOTE 14 - DEFICIT NET ASSETS

The deficit net assets at June 30, 2009 in Other Funds of \$8,962 is due to the Ashe Partnership having expenditures in excess of receipts for a grant. The Ashe Partnership was reimbursed by the grantor for these expenditures after June 30, 2009.

NOTE 15 - SUBSEQUENT EVENTS

The Ashe Partnership opened a \$35,000 variable interest rate line of credit on July 20, 2009. The line of credit is open-ended, allowing the Partnership to draw funds when needed, during the one year term of the agreement ending July 20, 2010. The Partnership has not drawn any funds as of October 29, 2009.

**Ashe County Partnership for Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2009**

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<i>Paid to Organizations:</i>				
Appalachian District Health Department	* \$ 32,750	\$ 0	\$ 0	\$ 0
Ashe County Cooperative Extension	* 85,600		146,714	
Wilkes Community College				
	118,350		146,714	
<i>Paid to Individuals:</i>				
Health Screening Services			500	
Imagination Library Participants - Dollywood Foundation			12,290	
Individual Domestic Violence Grants			10,830	
			23,620	
	\$ 118,350	\$ 0	\$ 170,334	\$ 0

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

***Ashe County Partnership for Children
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2009***

Schedule 2

Organization Name	DHHS Contracts
Ashe County Department of Social Services	* \$ <u>146,830</u>

* These organizations are represented on the Partnership's Board as described in Note 4A - 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.

**Ashe County Partnership for Children
Schedule of Federal and State Awards
For the Year Ended June 30, 2009**

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
US Department of Agriculture, Rural Development Community Facilities Loans and Grants	10.766 **	N/A	\$ 0	\$ 383,492
US Department of Education				
Pass-through from the North Carolina Department of Public Instruction Pass-through from the Ashe County Board of Education Even Start Family Literacy (Prior Year)	84.213	N/A	38,767	32,546
Even Start Family Literacy (Current Year)	84.213 *	N/A	39,183	71,341
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 Childcare Resources, Inc. Pass-through from the Iredeell County Partnership for Young Children Child Care Resource and Referral	93.575	507-ASH	26,366	33,762
US Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services Family Resource Center/Family Support	93.556	01101-08	23,135	
Family Resource Center/Family Support	93.556 *	01101-09	79,581	79,581
US Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services Family Violence Prevention (Prior Year)	93.671	450.08	6,744	2,643
Family Violence Prevention (Current Year)	93.671	450.09	19,173	20,492
US Department of Health and Human Services				
Pass-through from the North Carolina Department of Juvenile Justice and Delinquency Prevention Support Our Students Community Program for Ashe County	Not available *	N/A	26,496	32,815
Support Our Students Community Program for Alleghany County	Not available *	N/A	26,496	32,871
US Department of Homeland Security				
Federal Emergency Management Agency Pass-through from United Way of America Emergency Food and Shelter Program	97.024	612800-011	947	61
Emergency Food and Shelter Program (American Reinvestment and Recovery Act)	97.114	612800-011	502	
US Department of Housing and Urban Development				
Pass-through from the North Carolina Department of Commerce Pass-through from Ashe County Community Development Block Grant - IDA Program	14.228	N/A	(1,000)	
US Department of Justice				
Office of Juvenile Justice and Delinquency Prevention Pass-through from the North Carolina Department of Crime Control and Public Safety Division of Governor's Crime Commission ASHE - A Safe Home for Everyone (Prior Year)	16.575	005-1-06-A14-AV-092	20,872	
ASHE - A Safe Home for Everyone (Current Year)	16.575 *	005-1-08-010-AV-328	56,074	69,950
ASHE - A Safe Home for Everyone - Security Grant	16.575	005-1-08-A12-AV-388	12,578	12,578
Total Federal Awards			375,916	772,132
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	*	N/A	446,920	446,920
Multi-County Accounting and Contracting Grant		N/A	11,245	11,245
North Carolina Department of Administration				
Council for Women and Domestic Violence Commission Domestic Violence Grant		N/A	45,342	45,342
Marriage License Grant (Prior Year)		N/A	3,040	
Marriage License Grant (Current Year)		N/A	21,735	21,735
North Carolina Department of Juvenile Justice and Delinquency Prevention				
Support Our Students Community Program for Ashe County	*	N/A	42,571	42,571
Support Our Students Community Program for Alleghany County	*	N/A	43,183	43,183
North Carolina Tobacco Trust Commission				
Tobacco Trust Grant (CTV)		2007-054-25	13,010	13,003
Total State Awards			627,046	624,059
Total Federal and State Awards			\$ 1,002,962	\$ 1,396,191

* Program with compliance requirements that have a direct and material effect on the financial statements.
** Major Program per OMB Circular A-133

Notes to the Schedule of Federal and State Awards - Modified Cash Basis

1. The accompanying schedule of federal and state awards include the federal and state grant activity of the Ashe County Partnership for Children and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

2. Loan Outstanding

Ashe County Partnership for Children had the following loan balance outstanding at June 30, 2009. This loan balance outstanding is also included in the federal expenditures presented in the schedule. This loan has been included on this schedule due to the continuing federal compliance requirements.

Program Title	CFDA Number	Pass-Through Grantor's Number	Amount Outstanding
Building Renovations	10766	N/A	\$ 383,492

*Ashe County Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2009*

Schedule 4

Furniture and Noncomputer Equipment	\$	61,752
Computer Equipment/Printers		66,184
Buildings and Land		219,735
Leasehold Improvements		1,272,530
Motor Vehicles		35,797
		<hr/>
Total Property and Equipment	\$	<u>1,655,998</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.

*Ashe County Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2009*

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	35,034
In-Kind Goods and Services		<u>12,015</u>
	\$	<u><u>47,049</u></u>

Match Provided at the Contractor Level:

Cash	\$	8,614
In-Kind Goods and Services		<u>21,614</u>
	\$	<u><u>30,228</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2008-107, 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
Ashe County Partnership for Children
Jefferson, North Carolina

We have audited the financial statements of the Ashe County Partnership for Children (Ashe Partnership) as of and for the year ended June 30, 2009, and have issued our report thereon dated October 29, 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 Ashe 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 Ashe Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ashe 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 Ashe 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 Ashe Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Ashe 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 Ashe 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 Ashe 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 Ashe Partnership's Board of Directors, management of the Ashe Partnership, others within the Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly of North Carolina and is not intended to be and should not be used by anyone other than these specified parties.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

October 29, 2009

TICHENOR & ASSOCIATES, LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Ashe County Partnership for Children
Jefferson, North Carolina

Compliance

We have audited the compliance of the Ashe County Partnership for Children (Ashe Partnership) with the types of compliance requirements described in the United State Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. Ashe Partnership's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Ashe Partnership's management. Our responsibility is to express an opinion on Ashe Partnership's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ashe Partnership's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Ashe Partnership's compliance with those requirements.

In our opinion, the Ashe Partnership complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 (CONCLUDED)**

Internal Control Over Compliance

The management of Ashe Partnership is responsible for establishing and maintaining internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Ashe Partnership's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Ashe Partnership's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that it is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

Tichenor & Associates, LLP

Tichenor & Associates, LLP

October 29, 2009

**ASHE COUNTY PARTNERSHIP FOR CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

I. Summary of Audit Results

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major federal programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

II. Financial Statement Audit Findings

None

III. Major Federal Awards Programs - Findings and Questioned Costs

None

