



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF
CASWELL COUNTY PARTNERSHIP FOR CHILDREN
YANCEYVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2001

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF
CASWELL COUNTY PARTNERSHIP FOR CHILDREN
YANCEYVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2001

BOARD OF DIRECTORS

PATRICIA WARREN, BOARD CHAIR

ADMINISTRATIVE OFFICER

SANDRA HUDSPETH, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Directors, Caswell County Partnership for Children

This report presents the results of our financial statement audit of the Caswell County Partnership for Children (Caswell Partnership) for the year ended June 30, 2001. Our audit was made by authority of Article 5A of G.S. §147.

The accounts and operations of the Caswell Partnership were subject to audit procedures as we considered necessary for us to report on the accompanying financial statements and supplementary information. The audit procedures were conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.

The audit of the Caswell Partnership was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-.16. This statute created the North Carolina Partnership for Children, Inc. and required the implementation of local demonstration projects (local partnerships). The Caswell Partnership is one of these local partnerships. As such, the Caswell Partnership is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14(b) to have an annual financial and compliance audit conducted by the State Auditor.

The purpose of this report is to present the results of our audit on the accompanying financial statements. A summary of our reporting objectives and audit results are:

- 1. Objective** - Express an opinion on the accompanying financial statements and supplementary information.

Results – The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with the regulatory basis of accounting established by the North Carolina Partnership for Children, Inc. The accompanying supplementary information presents information that is fairly stated in all material respects in relation to the basic financial statements.

AUDITOR'S TRANSMITTAL (CONCLUDED)

2. **Objective** - Present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

Results - Our tests disclosed no instances of noncompliance which require disclosure herein under *Government Auditing Standards*.

3. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Caswell Partnership's ability to record, process, summarize, and report financial data in the financial statement.

Results - Our tests disclosed no material weaknesses in the internal control over financial reporting which require disclosure herein under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Caswell County Partnership for Children
Yanceyville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Caswell County Partnership for Children (Caswell Partnership) as of June 30, 2001, and the related Statement of Functional Expenditures - Regulatory Basis for the year then ended. These financial statements are the responsibility of the Caswell 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 statement is free of material misstatement. 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 regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc., which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Caswell County Partnership for Children as of June 30, 2001, and the results of its operations 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 November 9, 2001 on our consideration of the Caswell Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations,

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Caswell County Partnership for Children taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be, and should not be, used by anyone other than these specified parties.



Ralph Campbell, Jr.
State Auditor

November 9, 2001

Caswell County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis
For the Year Ended June 30, 2001

Exhibit A

	Unrestricted Funds		Total Funds
	Smart Start Fund	Other Funds	
Receipts:			
State Awards (less refunds of \$63,599)	\$ 318,079	\$ 43,250	\$ 361,329
Federal Awards		61,391	61,391
Private Contributions		3,086	3,086
Interest and Investment Earnings		274	274
Sales Tax Refunds		475	475
Total Receipts	318,079	108,476	426,555
Expenditures:			
Programs:			
Adolescent Pregnancy Prevention Program		52,837	52,837
Child Care and Education Quality	119,517		119,517
Child Care and Education Accessibility and Availability	82,565		82,565
Child Care and Education Affordability	1,284		1,284
Family Support	61,363	112	61,475
Health and Safety		700	700
Support Our Students		21,452	21,452
Support:			
Management and General	73,509	19,907	93,416
Program Evaluation	22,788		22,788
Program Coordination	14,052		14,052
Other:			
Sales Tax Paid	247	1,178	1,425
Total Expenditures	375,325	96,186	471,511
Excess of Receipts Over Expenditures	(57,246)	12,290	(44,956)
Net Assets at Beginning of Year	63,599	(13,636)	49,963
Net Assets at End of Year	\$ 6,353	\$ (1,346)	\$ 5,007
Net Assets Consisted of:			
Cash on Deposit	\$ 5,395	\$ (1,346)	\$ 4,049
Refunds Due From Contractors	958		958
	\$ 6,353	\$ (1,346)	\$ 5,007

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

**Caswell County Partnership for Children
 Schedule of Functional Expenditures - Regulatory Basis
 For the Year Ended June 30, 2001**

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenses	Fixed Charges and Other Expenses	Property and Equipment Outlay	Services/Contracts/Grants	Participant Training Expense
Smart Start Fund:									
Programs:									
Child Care and Education Quality	119,517							119,517	
Child Care and Education Accessibility and Availability	82,565							82,565	
Child Care and Education Affordability	1,284							1,284	
Family Support	61,363		15,333	7,930	7,126			30,974	
	264,729	0	15,333	7,930	7,126	0	0	234,340	0
Support:									
Management and General	73,509	34,063	1,690	7,020	23,363	6,822	551		
Program Evaluation	22,788							22,788	
Program Coordination	14,052	14,052							
	110,349	48,115	1,690	7,020	23,363	6,822	551	22,788	0
Other:									
Sales Tax Paid	247	0	0	247	0	0	0	0	0
Total Smart Start Fund Expenditures	375,325	48,115	17,023	15,197	30,489	6,822	551	257,128	0
Other Funds:									
Programs:									
Adolescent Pregnancy Prevention Program	52,837	6,427	20,617	9,826	8,735		2,072	4,100	1,060
Family Support	112				112				
Health and Safety	700							700	
Support Our Students	21,452	1,012	5,104	1,576	1,581	800	6,993	3,559	827
	75,101	7,439	25,721	11,402	10,428	800	9,065	8,359	1,887
Support:									
Management and General	19,907	9,660	5,024	209	249	0	0	2,469	2,296
Other:									
Sales Tax Paid	1,178	0	0	1,178	0	0	0	0	0
Total Other Funds Expenditures	96,186	17,099	30,745	12,789	10,677	800	9,065	10,828	4,183

CASWELL COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Caswell County Partnership for Children (Caswell Partnership) is a legally separate nonprofit organization incorporated on March 26, 1998. The Caswell Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Caswell 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 Caswell Partnership's Board of Directors is responsible. In accordance with 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.

The Caswell Partnership did not have any temporarily or permanently restricted net assets at June 30, 2001.

C. Basis of Accounting - The accompanying financial statements were prepared on the regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc. This basis differs from generally accepted accounting principles primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

However, unexpended advances to contractors that revert back to the State 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- D. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year end which 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.
- E. Use of Estimates** - The financial statements include estimates and assumptions made by management for the allocation of joint costs. It is management's belief that these estimates are reasonable and fair.

NOTE 2 - DEPOSITS

All funds of the Caswell Partnership are deposited with one commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Caswell Partnership to a concentration of credit risk.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Caswell 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 Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Caswell Partnership. These service provider contracts are not reflected on the accompanying financial statement. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Caswell Partnership was awarded and has received \$381,678 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Partnership has returned \$6,353 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2001.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Support our Students Program (SOS) – The Caswell Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Support our Students Program.

The Caswell Partnership was awarded \$75,000 under a current year SOS contract with DHHS. The unexpended balance of this contract is subject to reversion to the State. The Partnership expects to receive continued funding through new SOS Program contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

NOTE 5 - FUNCTIONAL EXPENDITURES

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

Adolescent Pregnancy Prevention Program – Used to account for service activities associated with the reduction and prevention of adolescent pregnancies through abstinence based training curriculum, service learning projects, and family values workshops.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Child Care and Education Accessibility and Availability - Used to account for service activities including inclusion support and the increase in child care spaces.

Child Care and Education Affordability - Used to account for service activities associated with transportation to child care facilities.

Health and Safety - Used to account for service activities associated with comprehensive health services.

Family Support - Used to account for service activities including parenting education, general family support, transportation services, and information and resources.

Support Our Students – Used to account for service activities associated with the providing of high quality after-school activities for school-aged children.

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 Evaluation - Expenditures that are incurred to monitor the performance of service providers as to the delivery of services and adherence to the specific terms and conditions of the contracts.

Program Coordination – 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.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Allocated based on employee time reports.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Total rental expenditure for all operating leases was \$3,840 for the year ended June 30, 2001.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 7 - PENSION PLAN

IRC Section 403(b) - All permanent employees who are at least half-time can participate in a tax sheltered annuity plan created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. All costs of administering and funding this plan are the responsibility of the plan.

For the year ended June 30, 2001, the Caswell Partnership had a total payroll of \$54,601, of which \$36,349 was covered under the plan. The Partnership contributed \$1,001 for pension benefits during the fiscal year. The voluntary contributions by employees amounted to \$1,002.

**Caswell County Partnership for Children
Schedule of Contract and Grant Expenditures - Regulatory Basis
For the Year Ended June 30, 2001**

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
C.A. Wheeler and Associates, Inc.	22,788			
Caswell County Department of Social Services *	1,284		700	
Caswell County Office of Emergency Services *			7,658	
Children's Developmental Services *	50,310	(25)		
Layman-Blackwell Baptist Church *			2,470	
North Carolina Cooperative Extension Service-Caswell County *	129,730	(200)		
Piedmont Community College *	23,000	(733)		
Various Direct Service Providers	2,343			
Volunteer Families for Children	28,631			
	258,086	(958)	10,828	0

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

**Caswell County Partnership for Children
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2001**

Schedule 2

Organization Name		DHHS Contracts	
Caswell County Department of Social Services - Subsidized Care	*	158,942	
<p>*These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.</p>			
<p>The information on this schedule provides a listing of service provider contracts entered into by the Department of Health and Human Services (DHHS) as described in Note 3 - Funding From Grant Awards.</p>			

Caswell County Partnership for Children
Schedule of Federal and State Awards - Regulatory Basis
For the Year Ended June 30, 2001

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
U. S. Department of Justice-Office of Justice Programs Collaborative Rural Jurisdiction Program Phase 1- Caswell Partnership After-School Program for At-Risk Youth and Families		1999-DD-BX-0067	\$ 224	\$ 0
U. S. Department of Justice-Office of Justice Programs Pass-through from the North Carolina Department of Crime Control and Public Safety-Division of Governor's Crime Commission Key Interventions to Challenge Kids	16.579	017-1-98-004-D283	22,806	7,724
Administration for Children and Families-Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services-Division of Public Health Adolescent Pregnancy Prevention Program	93.558	WHB1-5158-032	38,361	52,837
Total Federal Awards			61,391	60,561
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 (Prior Year)	*	1-90-5-07-001	(63,599)	
Early Childhood Initiatives Program (Current Year)	*	1-01-5-07-001	381,678	375,325
Multi-Partnership Accounting and Contracting Grant		N/A	12,000	12,000
			330,079	387,325
North Carolina Department of Juvenile Justice and Delinquency Prevention Support Our Students		N/A	31,250	21,452
Total State Awards			361,329	408,777
Total Federal and State Awards			\$ 422,720	\$ 469,338

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

Caswell County Partnership for Children
Schedule of Property and Equipment
For the Year Ended June 30, 2001

Schedule 4

	Furniture and Non-Computer Equipment	\$	5,331
	Computer Equipment/Printers		9,650
	Total Property and Equipment	\$	14,981
	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. On the regulatory basis of accounting, these items are expensed in the year purchased.	

**Caswell County Partnership for Children
 Schedule of Qualifying Match (Non-GAAP)
 For the Year Ended June 30, 2001**

Schedule 5

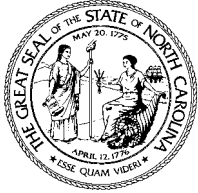
Match Provided at the Partnership Level:

Cash	\$ 3,086
In-Kind Goods and Services	12,582
	<u>\$ 15,668</u>

Match Provided at the Contractor Level:

Cash	\$ 43,630
In-Kind Goods and Services	11,836
	<u>\$ 55,466</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 1999-237, Section 11.48(l). The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles.



Ralph Campbell, Jr.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Caswell County Partnership for Children
Yanceyville, North Carolina

We have audited the financial statements of the Caswell County Partnership for Children (Caswell Partnership) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 9, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the Caswell Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Caswell Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not

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

reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, the Governor, and the General Assembly and is not intended to be, and should not be, used by anyone other than these specified parties.



Ralph Campbell, Jr.
State Auditor

November 9, 2001

DISTRIBUTION OF AUDIT REPORT

In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

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The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
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Mr. Ashley Thrift	Chairman, Board of Directors North Carolina Partnership for Children, Inc.
Ms. Karen Ponder	Executive Director North Carolina Partnership for Children, Inc.

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Minority Leader of the N.C. Senate
Minority Leader of the N.C. House of Representatives
N. C. House Speaker Pro-Tem
Director, Fiscal Research Division

February 19, 2002

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