

STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF
CUMBERLAND COUNTY PARTNERSHIP FOR CHILDREN, INC.
FAYETTEVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

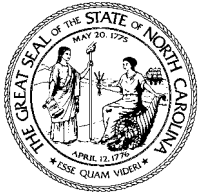
FINANCIAL STATEMENT AUDIT REPORT OF
CUMBERLAND COUNTY PARTNERSHIP FOR CHILDREN, INC.
FAYETTEVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2002

BOARD OF DIRECTORS

DR. WILLIAM T. BROWN, BOARD CHAIR

ADMINISTRATIVE OFFICER

EVA L. HANSEN, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

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

This report presents the results of our financial statement audit of the Cumberland County Partnership for Children, Inc. (Cumberland Partnership) for the year ended June 30, 2002. Our audit was made by authority of Article 5A of Chapter 147 of the General Statutes.

The accounts and operations of the Cumberland 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 Cumberland Partnership was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by General Statutes 143B-168.10-.16. These statutes created the North Carolina Partnership for Children, Inc. and required the implementation of local demonstration projects (local partnerships). The Cumberland Partnership is one of these local partnerships. As such, the Cumberland Partnership is a private nonprofit 501(c)(3) organization and is required by General Statute 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** – To 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** – To Present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

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

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

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

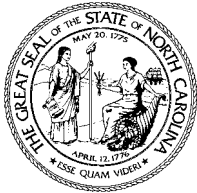
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Ralph Campbell, Jr.
State Auditor

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Ralph Campbell, Jr.
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cumberland County Partnership for Children, Inc.
Fayetteville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Cumberland County Partnership for Children, Inc. (Cumberland Partnership) as of June 30, 2002, and the related Statement of Functional Expenditures - Regulatory Basis for the year then ended. These financial statements are the responsibility of the Cumberland 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 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 Cumberland County Partnership for Children, Inc. as of June 30, 2002, 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 March 11, 2003 on our consideration of the Cumberland Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Cumberland County Partnership for Children, Inc. 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.

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.
State Auditor
March 11, 2003

Cumberland County Partnership for Children, Inc.**Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis****For the Year Ended June 30, 2002****Exhibit A**

| | Unrestricted Funds | | Temporarily Restricted Funds | Total Funds |
|---|--------------------|------------------|------------------------------|-------------------|
| | Smart Start Fund | Other Funds | | |
| Receipts: | | | | |
| State Awards (less refunds of \$109,078) | \$ 8,664,686 | \$ 253,148 | \$ 12,150 | \$ 8,929,984 |
| Federal Awards | | 25,035 | 25,821 | 50,856 |
| Private Contributions | | 88,808 | | 88,808 |
| Interest and Investment Earnings | | 122,913 | | 122,913 |
| Sales Tax Refunds | | 60,488 | | 60,488 |
| Other Receipts | | 77,256 | | 77,256 |
| Total Receipts | 8,664,686 | 627,648 | 37,971 | 9,330,305 |
| Expenditures: | | | | |
| Programs: | | | | |
| Child Care and Education Quality | 3,778,985 | 62,692 | | 3,841,677 |
| Child Care and Education Accessibility and Availability | 490,971 | | | 490,971 |
| Child Care and Education Affordability | 1,178,276 | 3,063 | | 1,181,339 |
| Health and Safety | 651,440 | 2,885 | | 654,325 |
| Family Support | 1,693,112 | 246,338 | | 1,939,450 |
| More at Four | 77,895 | 217,147 | | 295,042 |
| Support: | | | | |
| Management and General | 505,951 | 39,833 | | 545,784 |
| Program Evaluation | 58,060 | | | 58,060 |
| System Integration | 72,800 | 14,000 | | 86,800 |
| Other: | | | | |
| Sales Tax Paid | | 48,079 | | 48,079 |
| Total Expenditures | 8,507,490 | 634,037 | 0 | 9,141,527 |
| Excess of Receipts Over Expenditures | 157,196 | (6,389) | 37,971 | 188,778 |
| Net Assets at Beginning of Year | 108,904 | 67,219 | (37,971) | 138,152 |
| Net Assets at End of Year | \$ 266,100 | \$ 60,830 | \$ 0 | \$ 326,930 |
| Net Assets Consisted of: | | | | |
| Cash and Cash Equivalents | \$ 89,000 | \$ 65,320 | \$ 0 | \$ 154,320 |
| Refunds Due From Contractors | 177,100 | | | 177,100 |
| | 266,100 | 65,320 | 0 | 331,420 |
| Less: Funds Held for Others | | 4,490 | | 4,490 |
| | \$ 266,100 | \$ 60,830 | \$ 0 | \$ 326,930 |

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

Cumberland County Partnership for Children, Inc.
Schedule of Functional Expenditures - Regulatory Basis
For the Year Ended June 30, 2002

Exhibit B

| | Total | Personnel | Contracted Services | Supplies and Materials | Other Operating Expenditures | Fixed Charges and Other Expenditures | Property and Equipment Outlay | Services/ Contracts/ Grants | Participant Training Expenditures |
|---|---------------------|---------------------|---------------------|------------------------|------------------------------|--------------------------------------|-------------------------------|-----------------------------|-----------------------------------|
| Smart Start Fund: | | | | | | | | | |
| Programs: | | | | | | | | | |
| Child Care and Education Quality | \$ 3,778,985 | 720,153 | 136,526 | 93,072 | 117,551 | 26,847 | 27,748 | 2,550,486 | 106,602 |
| Child Care and Education Accessibility and Availability | \$ 490,971 | | | | | | | 490,971 | |
| Child Care and Education Affordability | \$ 1,178,276 | | | | | | | 1,178,276 | |
| Health and Safety | \$ 651,440 | | 30,000 | | | | | 621,440 | |
| Family Support | \$ 1,693,112 | 487,247 | 89,907 | 31,359 | 83,903 | 16,719 | 24,677 | 958,843 | 457 |
| More at Four | \$ 77,895 | | 9,845 | | 2,710 | 25 | | 65,057 | 258 |
| | \$ 7,870,679 | \$ 1,207,400 | \$ 266,278 | \$ 124,431 | \$ 204,164 | \$ 43,591 | \$ 52,425 | \$ 5,865,073 | \$ 107,317 |
| Support: | | | | | | | | | |
| Management and General | \$ 505,951 | 417,035 | 12,290 | 11,785 | 48,600 | 15,289 | 952 | | |
| Program Evaluation | \$ 58,060 | | | | | | | 58,060 | |
| System Integration | \$ 72,800 | | 72,800 | | | | | | |
| | \$ 636,811 | \$ 417,035 | \$ 85,090 | \$ 11,785 | \$ 48,600 | \$ 15,289 | \$ 952 | \$ 58,060 | \$ 0 |
| Total Smart Start Fund Expenditures | \$ 8,507,490 | \$ 1,624,435 | \$ 351,368 | \$ 136,216 | \$ 252,764 | \$ 58,880 | \$ 53,377 | \$ 5,923,133 | \$ 107,317 |
| Other Funds: | | | | | | | | | |
| Programs: | | | | | | | | | |
| Child Care and Education Quality | \$ 62,692 | 10,954 | 13,975 | 658 | 6,997 | | | 30,108 | |
| Child Care and Education Affordability | \$ 3,063 | | | | | | | 3,063 | |
| Health and Safety | \$ 2,885 | | 50 | | 288 | | 2,099 | 448 | |
| Family Support | \$ 246,338 | | 90,145 | 8,945 | 10,215 | 87,033 | | 50,000 | |
| More at Four | \$ 217,147 | | 825 | | | | | 216,322 | |
| | \$ 532,125 | \$ 10,954 | \$ 104,995 | \$ 9,603 | \$ 17,500 | \$ 87,033 | \$ 2,099 | \$ 299,941 | \$ 0 |
| Support: | | | | | | | | | |
| Management and General | \$ 39,833 | 2,500 | 3,035 | 1,178 | 9,708 | 3,215 | 20,197 | | |
| System Integration | \$ 14,000 | | 14,000 | | | | | | |
| | \$ 53,833 | \$ 2,500 | \$ 17,035 | \$ 1,178 | \$ 9,708 | \$ 3,215 | \$ 20,197 | \$ 0 | \$ 0 |
| Other: | | | | | | | | | |
| Sales Tax Paid | \$ 48,079 | \$ 0 | \$ 0 | \$ 48,079 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Total Other Funds Expenditures | \$ 634,037 | \$ 13,454 | \$ 122,030 | \$ 58,860 | \$ 27,208 | \$ 90,248 | \$ 22,296 | \$ 299,941 | \$ 0 |

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

CUMBERLAND COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Cumberland County Partnership for Children, Inc. (Cumberland Partnership) is a legally separate nonprofit organization incorporated on December 2, 1993. The Cumberland Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Cumberland 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 Cumberland Partnership’s Board of Directors is responsible. Pursuant to the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this Statement, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

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

The Cumberland Partnership did not have any permanently restricted net assets at June 30, 2002.

- 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets –Regulatory Basis and consists of petty cash and cash on deposit with private bank accounts.
- E. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the state awards balance.
- F. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Partnership acts in an agency capacity. For the year ended, the Cumberland Partnership was holding rental deposits for office space.
- G. 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

The Cumberland Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investment is in the bank's Eurodollar Deposits and is not insured by the FDIC. Consequently, the Cumberland Partnership bank deposits in excess of the FDIC insured limit totaled \$512,684 at June 30, 2002.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Cumberland Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

children and families for the service-delivery area. During the year, NCPC and the Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Cumberland Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into by NCPC and/or DHHS are presented on Schedule 2 accompanying the financial statements.

The Cumberland Partnership was awarded and has received \$8,773,764 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 \$250,963 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2002.

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

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Cumberland Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Cumberland 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 NCPC and/or 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

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, child care

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

resource and referral, provider training, behavior intervention, or curriculum enhancements.

Child Care and Education Accessibility and Availability - Used to account for service activities including inclusion support or increasing child care availability.

Child Care and Education Affordability - Used to account for service activities including pre-K classes, public pre-K classes, Head Start wraparound, child care subsidy, or transportation to child care.

Health and Safety - Used to account for service activities including speech and hearing screenings, comprehensive screenings, comprehensive health support, special needs - early intervention services, or transportation to health services.

Family Support - Used to account for service activities including family resource centers, teen parent/child programs, intensive home visiting, support services for children and families in crisis, literacy projects, family literacy, community outreach, or needs and resources assessments.

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

B. Support Functions

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

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.

System Integration - Expenditures incurred for information management across several agencies/organizations bridging numerous service areas.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Salaries and Benefits - Allocated based on employee time reports.

Other Costs - Other costs including occupancy cost (utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were allocated based on utilization data.

NOTE 6 - LEASE OBLIGATIONS

Operating Lease Obligations - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2002:

| <u>Fiscal Year</u> | <u>Operating Leases</u> |
|-------------------------------------|-----------------------------|
| 2003 | \$ 5,448 |
| 2004 | 4,518 |
| 2005 | <u>3,389</u> |
| Total Minimum Lease Payments | <u>\$ 13,355</u> |

Rental expense for all operating leases during the year was \$16,654.

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 created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other non-profit organizations. All costs of administering and funding these plans are the responsibility of the Plan participants. The Cumberland Partnership provides a 100% match of employee contributions not to exceed 6% of the employee's annual salary. The voluntary contributions by employees amounted to \$49,975 during the year ended June 30, 2002. The Cumberland Partnership contributed \$39,509 for matching pension benefits during the year.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Loan Commitment - The Cumberland Partnership has a note with a balance of \$309,802 at June 30, 2002 that is secured by an office building and payable to Bank of America in monthly installments of \$5,850. This amount includes

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

principal and interest computed at a variable interest rate of 1.5% over the LIBOR Fixed Rate.

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

| <u>Fiscal Year</u> | <u>Principal Amount</u> | <u>Interest Amount</u> |
|----------------------------|-----------------------------|----------------------------|
| 2003 | \$ 69,213 | \$ 3,629 |
| 2004 | 67,467 | 2,733 |
| 2005 | 68,376 | 1,824 |
| 2006 | 69,296 | 904 |
| 2007 and beyond | <u>35,450</u> | <u>81</u> |
| Total Loan Payments | <u><u>\$ 309,802</u></u> | <u><u>\$ 9,171</u></u> |

Cumberland County Partnership for Children, Inc.
Schedule of Contract and Grant Expenditures - Regulatory Basis
For the Year Ended June 30, 2002

Schedule 1

| Organization Name | Smart Start Fund | | Other Funds | |
|---|---------------------|---------------------|--------------------|---------------|
| | Amount Advanced | Refund Due | Amount Advanced | Refund Due |
| ARC of Cumberland County | 81,203 | | | |
| Autism Society of Cumberland County | 32,702 | (8) | | |
| Crago, Alvarez and Bicknell Consulting | 58,060 | | | |
| Cumberland Community Action Program, Incorporated | * 605,434 | (23,139) | | |
| Cumberland County District Court - Family Court Division | 1,463 | | | |
| Cumberland County Health Department | * 406,856 | (83,698) | 50,000 | |
| Cumberland County Hospital System | 132,226 | (1,960) | | |
| Cumberland County Mental Health | * 304,016 | (18,616) | | |
| Cumberland County Public Library | * 339,098 | (3,968) | | |
| Cumberland County Public Schools | * 680,971 | (5,671) | 131,695 | |
| Developmental Evaluation Center | * 84,056 | | 448 | |
| Family Support Network - Families First | * 22,410 | (35) | | |
| Fayetteville Area Youth for Christ | 182,000 | (441) | | |
| Fayetteville Museum of Art | 123,492 | | | |
| Fayetteville State University | * 85,230 | | 968 | |
| Fayetteville Technical Community College | * 1,550,590 | (39,564) | 19,297 | |
| Friends of the Parks Foundation, Incorporated | 51,714 | | | |
| Lewis Chapel Day Care Center | 14,926 | | 32,740 | |
| Methodist College | 34,511 | | | |
| Speech Therapy of the Sandhills | 59,400 | | | |
| Various Day Care Providers | 640,033 | | 31,187 | |
| Wade Family Medical Center | 29,542 | | | |
| Wonder Years Child Care | 24,663 | | 33,606 | |
| | \$ 5,544,596 | \$ (177,100) | \$ 299,941 | \$ 0 |
| Individuals: | | | | |
| Child Care Expense Reimbursements | 498,837 | | | |
| Scholarships/Bonus Awards | 56,800 | | | |
| | \$ 555,637 | \$ 0 | \$ 0 | \$ 0 |
| | \$ 6,100,233 | \$ (177,100) | \$ 299,941 | \$ 0 |
| * These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations. | | | | |

Cumberland County Partnership for Children, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2002

Schedule 2

| Organization Name | | DHHS Contracts | NCPC Contracts | Total Contracts |
|---|--|-------------------|-------------------|--------------------|
| Cumberland County Department of Social Services | | 2,848,247 | | \$ 2,848,247 |
| National Society to Prevent Blindness - North Carolina Affiliate | | | 86,848 | \$ 86,848 |
| | | \$ 2,848,247 | \$ 86,848 | \$ 2,935,095 |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| * These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations. | | | | |
| | | | | |
| The information on this schedule provides a listing of service provider contracts entered into by either the Department of Health and Human Services (DHHS) or the North Carolina Partnership for Children, Inc. (NCPC) as described in Note 3 - Funding from Grant Awards. | | | | |
| | | | | |

Cumberland County Partnership for Children, Inc.
Schedule of Federal and State Awards - Regulatory Basis
For the Year Ended June 30, 2002

Schedule 3

| Federal/State Grantor/Pass-through Grantor/Program | Federal CFDA Number | Contract # | Receipts | Expenditures |
|--|---------------------|-----------------|--------------|--------------|
| 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 | | | | |
| Child Care and Development Block Grant | 93.575 | 6014 | \$ 48,367 | \$ 39,890 |
| Pass-through from the North Carolina Department of Health and Human Services - Division of Public Health | | | | |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | 00435-02 | 2,489 | 16,158 |
| Total Federal Awards | | | 50,856 | 56,048 |
| 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 (Previous Years) | | Various | (22,978) | |
| Early Childhood Initiatives Program (Prior Year) | | 1-01-1-04-001 | (86,100) | (2,080) |
| Early Childhood Initiatives Program (Current Year) | | * 1-12-1-04-001 | 8,773,764 | 8,509,570 |
| Multi-County Accounting and Contracting Grant | | N/A | 36,000 | 28,942 |
| North Carolina Department of Health and Human Services | | | | |
| Division of Public Health | | | | |
| Intensive Home Visitation Grant | | 15340001 | 12,151 | |
| North Carolina Department of Health and Human Services | | | | |
| More at Four Pre-Kindergarten Program | | 2090002837 | 217,147 | 217,147 |
| Total State Awards | | | 8,929,984 | 8,753,579 |
| Total Federal and State Awards | | | \$ 8,980,840 | \$ 8,809,627 |

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

Note: The More at Four Pre-Kindergarten Program is contracted jointly by the North Carolina Department of Health and Human Services and the Office of the Governor. The allocations for the More at Four program are included in the budget for the North Carolina Department of Health and Human Services; therefore, the above schedule identifies that agency as the State Grantor. The Office of the Governor is responsible for oversight of the More at Four Program.

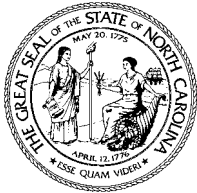
| | | | | |
|--|--|----|-----------|--------------------------|
| <i>Cumberland County Partnership for Children, Inc.</i> | | | | |
| <i>Schedule of Property and Equipment</i> | | | | |
| <i>For the Year Ended June 30, 2002</i> | | | | <i>Schedule 4</i> |
| | | | | |
| | | | | |
| | Furniture and Non-Computer Equipment | \$ | 220,306 | |
| | Computer Equipment/Printers | | 420,302 | |
| | Buildings | | 2,295,534 | |
| | Leasehold Improvements | | 66,317 | |
| | | | | |
| | Total Property and Equipment | \$ | 3,002,459 | |
| | | | | |
| | | | | |
| | | | | |
| | 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 of purchase. | | | |
| | | | | |
| | | | | |

Cumberland County Partnership for Children, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2002

Schedule 5

| | | | |
|---|----|-----------|--|
| <i>Match Provided at the Partnership Level:</i> | | | |
| Cash | \$ | 88,802 | |
| In-Kind Goods and Services | | 201,701 | |
| | \$ | 290,503 | |
| <i>Match Provided at the Contractor Level:</i> | | | |
| Cash | \$ | 833,155 | |
| In-Kind Goods and Services | | 457,904 | |
| | \$ | 1,291,059 | |
| <p>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 service to be valued for match purposes, a concept that deviates from generally accepted accounting principles.</p> | | | |

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Ralph Campbell, Jr.
State Auditor

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Office of the State Auditor

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

Board of Directors
Cumberland County Partnership for Children, Inc.
Fayetteville, North Carolina

We have audited the financial statements of the Cumberland County Partnership for Children, Inc. (Cumberland Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated March 11, 2003. 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 Cumberland 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 Cumberland 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 reduce to a relatively low level the risk that misstatements in amounts that would be material

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

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, 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.

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive script.

Ralph Campbell, Jr.
State Auditor
March 11, 2003

DISTRIBUTION OF AUDIT REPORT

In accordance with General Statutes 147-64.5 and 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.

EXECUTIVE BRANCH

| | |
|----------------------------------|--|
| The Honorable Michael F. Easley | Governor of North Carolina |
| The Honorable Beverly M. Perdue | Lieutenant Governor of North Carolina |
| The Honorable Richard H. Moore | State Treasurer |
| The Honorable Roy A. Cooper, III | Attorney General |
| Mr. David T. McCoy | State Budget Officer |
| Mr. Robert L. Powell | State Controller |
| Ms. Carmen Hooker Odom | Secretary, Department of Health and Human Services |
| Mr. Ashley Thrift | Chairman, Board of Directors |
| | North Carolina Partnership for Children, Inc. |
| | Executive Director |
| | North Carolina Partnership for Children, Inc. |
| Ms. Karen Ponder | |

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

| | |
|------------------------------------|---|
| Senator Marc Basnight, Co-Chairman | Representative James B. Black, Co-Chairman |
| Senator Charlie Albertson | Representative Richard T. Morgan, Co-Chairman |
| Senator Kever M. Clark | Representative Martha B. Alexander |
| Senator Daniel G. Clodfelter | Representative E. Nelson Cole |
| Senator Walter H. Dalton | Representative James W. Crawford, Jr. |
| Senator James Forrester | Representative William T. Culpepper, III |
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| Senator David F. Weinstein | Representative Thomas E. Wright |
| | Representative Douglas Y. Yongue |

Other Legislative Officials

| | |
|--------------------------------|-------------------------------------|
| Senator Anthony E. Rand | Majority Leader of the N. C. Senate |
| Senator Patrick J. Ballantine | Minority Leader of the N. C. Senate |
| Representative N. Leo Daughtry | N. C. House of Representatives |
| Mr. James D. Johnson | Director, Fiscal Research Division |

June 25, 2003

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