



STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT AUDIT REPORT OF
MECKLENBURG PARTNERSHIP FOR CHILDREN
CHARLOTTE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2002**

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

MECKLENBURG PARTNERSHIP FOR CHILDREN

CHARLOTTE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

BOARD OF DIRECTORS

NANCY CROWN, BOARD CHAIR

ADMINISTRATIVE OFFICER

NANCY DAVIS, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us>

AUDITOR'S TRANSMITTAL

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

This report presents the results of our financial statement audit of the Mecklenburg Partnership for Children (Mecklenburg 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 Mecklenburg 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 Mecklenburg 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 Mecklenburg Partnership is one of these local partnerships. As such, the Mecklenburg 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 Mecklenburg 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.
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STATE OF NORTH CAROLINA
Office of the State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us>

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mecklenburg Partnership for Children
Charlotte, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Mecklenburg Partnership for Children (Mecklenburg 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 Mecklenburg 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 Mecklenburg Partnership for Children 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 7, 2003 on our consideration of the Mecklenburg 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 Mecklenburg 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

March 7, 2003

Mecklenburg Partnership for Children

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 \$180,902)	\$ 7,144,639	\$ 12,000	\$ 0	\$ 7,156,639
Private Contributions		21,147	10,000	31,147
Interest and Investment Earnings		8,835		8,835
Sales Tax Refunds		4,813		4,813
Other Receipts		37		37
Total Receipts	7,144,639	46,832	10,000	7,201,471
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		742	(742)	
	7,144,639	47,574	9,258	7,201,471
Expenditures:				
Programs:				
Child Care and Education Quality	516,595	8,101		524,696
Child Care and Education Accessibility and Availability	134,210			134,210
Child Care and Education Affordability	3,282,817	237		3,283,054
Health and Safety	796,877			796,877
Family Support	1,540,610	568		1,541,178
More at Four	28,440			28,440
Support:				
Management and General	748,158	34,091		782,249
Program Evaluation	79,083	157		79,240
Program Coordination	59,305	1,948		61,253
Other:				
Sales Tax Paid		2,221		2,221
Total Expenditures	7,186,095	47,323		7,233,418
Excess of Receipts Over Expenditures	(41,456)	251	9,258	(31,947)
Net Assets at Beginning of Year	157,146	16,307	3,247	176,700
Net Assets at End of Year	\$ 115,690	\$ 16,558	\$ 12,505	\$ 144,753
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 44,353	\$ 16,558	\$ 12,505	\$ 73,416
Refunds Due From Contractors	71,337			71,337
	\$ 115,690	\$ 16,558	\$ 12,505	\$ 144,753
The accompanying notes to the financial statements are an integral part of this statement.				

Mecklenburg Partnership for Children
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	\$ 516,595				10,000			506,595	0
Child Care and Education Accessibility and Availability	\$ 134,210							134,210	0
Child Care and Education Affordability	\$ 3,292,817				3,567	3,655		3,275,595	0
Health and Safety	\$ 796,877							796,877	0
Family Support	\$ 1,540,610		66,110	575	14,327		500	1,459,098	0
More at Four	\$ 28,440							28,440	0
	\$ 6,299,549	\$ 0	\$ 66,110	\$ 575	\$ 27,894	\$ 3,655	\$ 500	\$ 6,200,815	\$ 0
Support:									
Management and General	\$ 748,158	536,081	50,036	11,835	47,979	102,142	85		
Program Evaluation	\$ 79,083	74,634	4,200		249				
Program Coordination	\$ 59,305	57,687	1,385		233				
	\$ 886,546	\$ 668,402	\$ 55,621	\$ 11,835	\$ 48,461	\$ 102,142	\$ 85	\$ 0	\$ 0
Total Smart Start Fund Expenditures	\$ 7,186,095	\$ 668,402	\$ 121,731	\$ 12,410	\$ 76,355	\$ 105,797	\$ 585	\$ 6,200,815	\$ 0
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 8,101				(678)			8,779	
Child Care and Education Affordability	\$ 237				237				
Family Support	\$ 568	156					412		
	\$ 8,906	\$ 156	\$ 0	\$ 0	\$ (441)	\$ 0	\$ 412	\$ 8,779	\$ 0
Support:									
Management and General	\$ 34,091	6,195	23,400	904	3,353	239			
Program Evaluation	\$ 157	157							
Program Coordination	\$ 1,948	1,948							
	\$ 36,196	\$ 8,300	\$ 23,400	\$ 904	\$ 3,353	\$ 239	\$ 0	\$ 0	\$ 0
Other:									
Sales Tax Paid	\$ 2,221	\$ 0	\$ 0	\$ 2,221	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Funds Expenditures	\$ 47,323	\$ 8,456	\$ 23,400	\$ 3,125	\$ 2,912	\$ 239	\$ 412	\$ 8,779	\$ 0

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

MECKLENBURG PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Mecklenburg Partnership for Children (Mecklenburg Partnership) is a legally separate nonprofit organization incorporated on October 15, 1993. The Mecklenburg Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Mecklenburg 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 Mecklenburg 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 Mecklenburg 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.

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Regulatory Basis and consists of 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.

NOTE 2 - DEPOSITS

The Mecklenburg Partnership participates in a Sweep Investment Service Plan to invest excess balances over an established target amount. The current investment option is through repurchase agreements that invest in securities that are obligations of federal agencies and United States Treasuries. While not insured by the Federal Deposit Insurance Corporation (FDIC), the funds are collateralized at 100% of market value. Consequently, the Mecklenburg Partnership bank deposits in excess of the FDIC insured limit totaled \$199,000 at June 30, 2002.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Mecklenburg 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 Mecklenburg 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 Mecklenburg Partnership was awarded and has received \$7,325,541 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 \$113,306 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 Mecklenburg Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Mecklenburg 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:

A. Program Functions

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, professional development, salary supplements, provider training, or learning materials and teaching aids.

Child Care and Education Accessibility and Availability - Used to account for service activities associated with inclusion support.

Child Care and Education Affordability - Used to account for service activities including pre-K classes, child care subsidy administration (DCD), public pre-K classes, Head Start wraparound, child care subsidy, and Preschool (0-4) classes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Health and Safety - Used to account for service activities including comprehensive dental services, a mobile health unit, speech and hearing screenings, prenatal/newborn services, child care health consultants/outreach nurses, child abuse and neglect intervention, or special needs – early intervention services.

Family Support - Used to account for service activities including family resource centers, a mobile family resource center, parenting education and skills training, teen parent/child programs, general family support, intensive home visiting, support services for children and families in crisis, literacy projects, transportation services, or information and resources.

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.

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.

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	<u>\$ 89,800</u>

Rental expense for all operating leases during the year was \$96,634.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 403(b) Plan – The Mecklenburg Partnership has a tax sheltered annuity plan created under Internal Revenue Code Section 403(b) covering all full-time employees. These plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. Each full-time employee of the Mecklenburg Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Mecklenburg Partnership contributed 10% of gross wages for the year ended June 30, 2002. The Mecklenburg Partnership does not own the annuities nor is it liable for any cost other than the required contribution. The Mecklenburg Partnership contributed \$45,479 for pension benefits during the year.

In addition, employees may defer a portion of their compensation to the plan. 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. The voluntary contributions by employees amounted to \$32,841 during the year ended June 30, 2002.

NOTE 8 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2002 are available for the following purposes:

Purpose	Amount
Distance Education	\$ 10,000
Family Support Programs	2,505
	<u>\$ 12,505</u>

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2002, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Early Education Website Initiative	\$ 742

**Mecklenburg Partnership for Children
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
All My Children	113,961			
Bethlehem Centers, Inc.	* 120,770			
Breastfeeding Encouragement Learning Liaison and Support (formerly LaLeche League)	126,802	(159)		
Bright Future Learning Center	112,266			
Carolinas Poison Center	44,299	(221)		
Central Piedmont Community College	* 139,527			
Charlotte-Mecklenburg Schools	* 316,547	(3,398)		
Charlotte-Mecklenburg Senior Center, Inc.	93,949	(1,142)		
Child Care Resources, Inc.	* 808,943	(1,604)		
Childcare Network, Inc.	254,555			
Children's World Learning Center	104,829			
Communities in Schools	99,833	(253)		
Easter Seals of North Carolina	307,061	(18,594)		
Exceptional Children Assistance Center	4,000			
First Ward Child Development Center	127,199			
Hope Haven, Inc.	96,000			
Kiddie Farms Child Development Center	117,743			
Lakewood Preschool Cooperative	222,661			
Loaves & Fishes	28,598			
Marizetta Kerry Child Development Center	145,772			
Mecklenburg Area Mental Health	* 238,779	(1,946)		
Mecklenburg County Area Mental Health	26,065	(1,438)		
Mecklenburg County Department of Social Services	* 10,000			
Mecklenburg County Health Department	* 1,158,058	(39,973)		
Mecklenburg County STEP Drug Treatment Court	* 40,732			
Mecklenburg Safe Communities/Carolinas Medical Center	27,013	(39)		
Metrolina Aids Project	18,270			
Mi Casa Su Casa	16,590	(36)		
North Carolina Administrative Office of the Courts	77,277	(2,384)		
Seigle Avenue Preschool Cooperative	107,639			
Smart Kids Child Care and Education Center	247,681	(6)		
Smart Start Early Childhood Learning and Development Center	114,621			
The ARC of Mecklenburg County	41,144			
The Early Learning Center	116,603			
The Public Library of Charlotte and Mecklenburg County	* 95,671			
Third Presbyterian Church	51,730	(144)		
Thompson's Child Development Center	300,000			
Various Organizations	3,386		8,779	
YWCA	* 195,578			
	\$ 6,272,152	\$ (71,337)	\$ 8,779	\$ 0

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

**Mecklenburg Partnership for Children
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2002**

Schedule 2

Organization Name	DHHS Contracts	NCPC Contracts	Total Contracts
Mecklenburg County Department of Social Services	* \$ 12,594,751	\$ 0	\$ 12,594,751
* 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.			

Mecklenburg Partnership for Children
Schedule of State Awards - Regulatory Basis
For the Year Ended June 30, 2002

Schedule 3

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
State Awards:			
North Carolina Department of Health and Human Services			
Division of Child Development			
Pass-through from the North Carolina Partnership for Children, Inc.			
Early Childhood Initiatives Program (Prior Year)	1-01-1-09-001	\$ (180,902)	\$ 0
Early Childhood Initiatives Program (Current Year)	* 1-12-1-09-001	7,325,541	7,186,095
Multi-County Accounting and Contracting Grant	N/A	12,000	12,000
Total State Awards		\$ 7,156,639	\$ 7,198,095
* Programs with compliance requirements that have a direct and material effect on the financial statements.			

Mecklenburg Partnership for Children			
Schedule of Property and Equipment			
For the Year Ended June 30, 2002			Schedule 4
	Furniture and Non-Computer Equipment	\$	76,720
	Computer Equipment/Printers		98,980
	Leasehold Improvements		4,926
	Total Property and Equipment	\$	180,626
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.		

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

Schedule 5

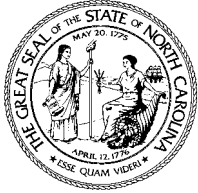
Match Provided at the Partnership Level:

Cash	\$ 31,147
In-Kind Goods and Services	4,503
	<u>\$ 35,650</u>

Match Provided at the Contractor Level:

Cash	\$ 3,408,735
In-Kind Goods and Services	734,094
	<u>\$ 4,142,829</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.
State Auditor

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2 S. Salisbury Street
20601 Mail Service Center
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Telephone: (919) 807-7500
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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
Mecklenburg Partnership for Children
Charlotte, North Carolina

We have audited the financial statements of the Mecklenburg Partnership for Children (Mecklenburg Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated March 7, 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 Mecklenburg 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 Mecklenburg 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.



Ralph Campbell, Jr.
State Auditor

March 7, 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.
Ms. Karen Ponder	Executive Director North Carolina Partnership for Children, Inc.

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Senator Patrick J. Ballantine	Minority Leader of the N. C. Senate
Representative N. Leo Daughtry	Minority Leader of the N. C. House of Representatives
Representative Joe Hackney	N. C. House Speaker Pro-Tem
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April 28, 2003

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