

**FINANCIAL STATEMENT AUDIT REPORT OF  
ASHE COUNTY PARTNERSHIP FOR CHILDREN  
JEFFERSON, NORTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2002**

**PERFORMED UNDER CONTRACT WITH THE  
NORTH CAROLINA OFFICE OF STATE AUDITOR  
RALPH CAMPBELL, JR.**

**FINANCIAL STATEMENT AUDIT REPORT OF**

**ASHE COUNTY PARTNERSHIP FOR CHILDREN**

**JEFFERSON, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2002**

**BOARD OF DIRECTORS**

**DAVID BLACKBURN, CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**CAROL COULTER, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

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**AUDITOR'S TRANSMITTAL**

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

This report presents the results of the financial statement audit of the Ashe County Partnership for Children for the year ended June 30, 2002. Crisp Hughes Evans LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Ashe County Partnership for Children 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 partnerships. The Ashe County Partnership for Children is one of these local partnerships. As such, the Ashe County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 to have an annual financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the North Carolina General Statutes.

The significant Smart Start expansion authorized in the 1998 fiscal year almost doubled the related audit burden placed on the Office of the State Auditor. Therefore, the General Assembly, in its 1998-99 Expansion Budget, gave recognition to the resources needed to provide the audit oversight required by statute. Those resources incorporated a combination of permanent positions and contract funding to make the Smart Start audit effort self-sustaining.

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

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

Ralph Campbell, Jr.  
State Auditor

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets--Regulatory Basis of the Ashe County Partnership for Children (Ashe 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 Ashe Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements were prepared on the regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc., which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Ashe County Partnership for Children as of June 30, 2002, and the results of its operations for the year then ended, on the basis of accounting described in Note 1.

## INDEPENDENT AUDITORS' REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2003 on our consideration of the Ashe Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 auditors' 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 Ashe 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.

March 26, 2003

*Crisp Hughes Evans LLP*

**ASHE COUNTY PARTNERSHIP FOR CHILDREN**  
**STATEMENT OF RECEIPTS, EXPENDITURES, AND NET ASSETS--REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2002** **EXHIBIT A**

	<u>Unrestricted Funds</u>		<u>Temporarily Restricted Funds</u>	<u>Total Funds</u>
	<u>Smart Start Fund</u>	<u>Other Funds</u>		
<b>Receipts:</b>				
State Awards (Less Refunds of \$1,179)	\$ 603,633	\$ 114,314	\$ -	\$ 717,947
Federal Grants	-	147,715	-	147,715
Local Grants	-	2,500	-	2,500
Private Contributions	-	182,930	74,673	257,603
Special Fund Raising Events	-	28,498	-	28,498
Interest and Investment Earnings	-	4,489	-	4,489
Sales Tax Refunds	-	5,315	-	5,315
Other Receipts	-	<u>124,510</u>	-	<u>124,510</u>
<b>Total Receipts</b>	<u>603,633</u>	<u>610,271</u>	<u>74,673</u>	<u>1,288,577</u>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	270,272	-	-	270,272
Child Care and Education Affordability	72,017	-	-	72,017
Health and Safety	45,052	77,783	-	122,835
Family Support	78,037	277,028	-	355,065
Support:				
Management and General	128,013	245,577	-	373,590
Program Evaluation	10,000	-	-	10,000
Other:				
Sales Tax Paid	-	<u>9,792</u>	-	<u>9,792</u>
<b>Total Expenditures</b>	<u>603,391</u>	<u>610,180</u>	-	<u>1,213,571</u>
<b>Excess of Receipts Over Expenditures</b>	242	91	74,673	75,006
<b>Net Assets at Beginning of Year</b>	<u>7,212</u>	<u>26,424</u>	<u>10,989</u>	<u>44,625</u>
<b>Net Assets at End of Year</b>	<u>\$ 7,454</u>	<u>\$ 26,515</u>	<u>\$ 85,662</u>	<u>\$ 119,631</u>
<b>Net Assets Consisted of:</b>				
Petty Cash	\$ -	\$ 150	\$ -	\$ 150
Cash on Deposit	6,135	28,853	85,662	120,650
Refunds Due from Contractors	<u>1,376</u>	-	-	<u>1,376</u>
	7,511	29,003	85,662	122,176
Less: Funds Held for Others	<u>(57)</u>	<u>(2,488)</u>	-	<u>(2,545)</u>
	<u>\$ 7,454</u>	<u>\$ 26,515</u>	<u>\$ 85,662</u>	<u>\$ 119,631</u>

The accompanying notes are an integral part of these statements.

**ASHE COUNTY PARTNERSHIP FOR CHILDREN  
STATEMENT OF FUNCTIONAL EXPENDITURES--REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2002**

**EXHIBIT B**

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating	Fixed Charges and Other	Property and Equipment Outlay	Services/Contracts/Grants
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 270,272	\$ 61,107	\$ 9,390	\$ 8,865	\$ 20,113	\$ 9,949	\$ 7,866	\$ 152,982
Child Care and Education Affordability	72,017	13,540	4,848	1,316	-	-	-	52,313
Health and Safety	45,052	-	-	-	-	-	-	45,052
Family Support	78,037	41,920	11,993	4,584	887	13,188	5,465	-
<b>Support:</b>								
Management and General	128,013	80,045	16,399	4,912	9,394	4,129	13,134	-
Program Evaluation	10,000	-	10,000	-	-	-	-	-
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 603,391</b>	<b>\$ 196,612</b>	<b>\$ 52,630</b>	<b>\$ 19,677</b>	<b>\$ 30,394</b>	<b>\$ 27,266</b>	<b>\$ 26,465</b>	<b>\$ 250,347</b>
<b>Other Funds:</b>								
<b>Programs:</b>								
Health and Safety	\$ 77,783	\$ 6,817	\$ 26,545	\$ 2,732	\$ 1,820	\$ 2,525	\$ -	\$ 37,344
Family Support	277,028	180,975	19,259	32,284	25,921	12,843	3,976	1,770
<b>Support:</b>								
Management and General	245,577	69,507	78,343	7,594	15,997	2,399	71,737	-
<b>Other:</b>								
Sales Tax Paid	9,792	-	-	9,792	-	-	-	-
<b>Total Other Funds Expenditures</b>	<b>\$ 610,180</b>	<b>\$ 257,299</b>	<b>\$ 124,147</b>	<b>\$ 52,402</b>	<b>\$ 43,738</b>	<b>\$ 17,767</b>	<b>\$ 75,713</b>	<b>\$ 39,114</b>

The accompanying notes are an integral part of these statements.



**ASHE COUNTY PARTNERSHIP FOR CHILDREN**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

A. **Organization and Purpose** - The Ashe County Partnership for Children (Ashe County Partnership) is a legally separate nonprofit organization incorporated on January 17, 1995. The Ashe County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Ashe County Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

B. **Basis of Presentation** - The accompanying financial statements present all funds for which the Ashe County 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.

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 Ashe County 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 accounting principles generally accepted in the United States of America, primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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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. **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. **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 Ashe County Partnership was holding amounts withheld from employee paychecks for individual insurance premiums and for the Ashe County Children's Trust Endowment as disclosed in Note 4B.
  
- F. **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 Ashe County Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Ashe County Partnership to a concentration of credit risk. At June 30, 2002, the Ashe County Partnership's bank deposits in excess of the FDIC limit was \$269,403.

### **NOTE 3 - FUNDING FROM GRANT AWARDS**

**Smart Start Program** - The Ashe County Partnership's major source of revenue and support is from the State of North Carolina based on cost-reimbursement contracts with the North Carolina Partnership for Children, Inc. (NCPC) for the Smart Start Program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of the Ashe County Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Ashe County 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 a contract with

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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and made payments to service providers selected by the Ashe County 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 Ashe County Partnership was awarded and has received \$604,408 under current year Smart Start contracts with NCPC. The unexpended balance of these contracts is subject to reversion to the State. The Partnership has returned \$1,017 of these contracts 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.

**Family Resource Center Program** - The Ashe County Partnership's other major source of revenue and support is from the State of North Carolina based on a cost reimbursement contract with DHHS for the Family Resource Center (FRC) Program.

The Ashe County Partnership was awarded \$75,000 under a current year FRC contract with NCPC and has received \$71,630. The unexpended balance of this contract is subject to reversion to the State. As allowed by program regulation, the unexpended balance of the current year contract is available for carry-forward to the subsequent year based on approval by DHHS.

The Partnership expects to receive continued funding through new FRC Program contracts with the State.

**Home Visitation Project** - The Ashe County Partnership also received revenue and support from the State of North Carolina based on a contract with the Office of Juvenile Justice (OJJ) for the Home Visitation Project (HVP).

The Ashe County Partnership was awarded \$40,000 under a current year HVP contract with OJJ and has received \$30,298. The unexpended balance of this contract is subject to reversion to the State. The Partnership expects to receive continued funding through new OJJ Program contracts with the State.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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The Ashe County Partnership was awarded \$115,000 under a current year ESP contract with DPI and has received \$79,502. The unexpended balance of this contract is subject to reversion to the State. The Partnership expects to receive continued funding through new DPI Program contracts with the State.

### NOTE 4 - RELATED PARTY TRANSACTIONS

- A. **Service Provider Contracts with Board Member Organizations** - The board members of the Ashe County Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Ashe County 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.
- B. **Other Related Parties** - The "Ashe County Children's Trust Endowment" Committee consists of seven voting members, two of which are Ashe County Partnership board members. The purpose of the Committee is to provide financial resources for programs conducted by the Ashe County 4-H and the Ashe County Partnership to enrich the quality of life for all children in Ashe County. The Ashe County Partnership maintains a separate bank account to deposit and disburse grants awarded by the Committee.

### 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, child care resource and referral, professional development, and salary supplements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**Child Care and Education Affordability** - Used to account for service activities including pre-K classes, child care subsidy, supplement for quality (DCD), part day care programs, and supplements for quality.

**Health and Safety** - Used to account for service activities including comprehensive dental services, comprehensive health services, and prenatal/newborn services.

**Family Support** - Used to account for service activities including family resource center, general family support, and family literacy.

### 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.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Allocated based on employee time reports.

**Occupancy Costs** - Allocated based on square footage used.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

**Leases** - The following is a schedule by years of future minimum rental payments required under leases that have noncancelable lease terms as of June 30, 2002:

Fiscal Year	Operating Leases
2003	\$ 13,034
2004	9,629
2005	<u>5,818</u>
<b>Total Minimum Lease Payments</b>	<b>\$ <u>28,481</u></b>

Total rental expenditure for all operating leases was \$14,170 for the year ended June 30, 2002.

**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. No costs are incurred by the Ashe County Partnership. The voluntary contributions by employees amounted to \$19,295 during the year ended June 30, 2002.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**Commitments on Contracts** - The Ashe County Partnership had outstanding commitments of \$72,326 on cost-reimbursement contracts that had not been paid at June 30, 2002.

**NOTE 9 - RESTRICTIONS ON NET ASSETS**

**Temporarily Restricted Net Assets** - All temporarily restricted net assets at June 30, 2002, are available for renovation of the Cooperative Play Center generated from the Capital Campaign.

**ASHE COUNTY PARTNERSHIP FOR CHILDREN  
 SCHEDULE OF CONTRACT AND GRANT EXPENDITURES--REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 1**

<b>Organization Name</b>	<b>Smart Start Fund</b>		<b>Other Funds</b>	
	<b>Amount Advanced</b>	<b>Refund Due</b>	<b>Amount Advanced</b>	<b>Refund Due</b>
Ashe County Health Department	* \$ 45,200	\$ (148)	\$ -	\$ -
Ashe County Public Schools	* 23,350	-	-	-
CCR&R Quality Enhancement Grants	78,509	-	-	-
CCR&R Quality Enhancement Stipends	798	-	-	-
CCR&R Star Bonus	28,963	-	-	-
Family Resource Center	* -	-	1,650	-
Home Visitation Public Health Grant--Post Partum	* -	-	30,078	-
Home Visitation Trust Grant--Post Partum	* -	-	7,266	-
Wilkes Community College	* 25,653	(1,228)	-	-
<b>Individuals:</b>				
Even Start/Family Literacy Stipends	-	-	120	-
Wilkes Community College--Education Bonuses	49,250	-	-	-
	<b>\$ 251,723</b>	<b>\$ (1,376)</b>	<b>\$ 39,114</b>	<b>\$ -</b>

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

See Independent Auditors' Report.

**ASHE COUNTY PARTNERSHIP FOR CHILDREN  
 SCHEDULE OF STATE LEVEL SERVICE PROVIDER CONTRACTS  
 FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 2**

<b>Organization Name</b>	<b>DHHS Contracts</b>
Ashe County Department of Social Services	* \$ 187,000

\* This organization is represented on the Partnership's Board as described in Note 4A - Service Provider Contracts with Board Member Organizations.

The information on this schedule provides a listing of service provider contracts entered into by the Department of Health and Human Services (DHHS) as described in Note 3 - Funding From Grant Awards.

See Independent Auditors' Report.



**ASHE COUNTY PARTNERSHIP FOR CHILDREN  
SCHEDULE OF FEDERAL AND STATE AWARDS--REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 3**

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
<b>Federal Awards:</b>				
Department of Education:				
Pass-through from the NC Department of Public Instruction:				
Even Start Program	84.213	-	\$ 79,502	\$ 91,319
Department of Health and Human Services:				
Pass-through from the NC Department of Health and Human Services:				
Temporary Assistance for Needy Families (TANF)	93.575	5977	25,358	32,271
Department of Justice:				
Office of Juvenile Justice and Delinquency Prevention:				
Pass-through from the NC Department of Crime Control and Public Safety:				
Division of Governor's Crime Commission:				
ASHE--A Safe Home for Everyone (prior year)	16.540	005-2-00-4VA-W-057	24,733	12,759
ASHE--A Safe Home for Everyone (current year)	16.540	005-1-01-V-089	<u>18,122</u>	<u>24,142</u>
<b>Total Federal Awards</b>			<u>147,715</u>	<u>160,491</u>
<b>State Awards:</b>				
NC Department of Health and Human Services:				
Division of Social Services:				
Family Resource Center (prior year)	N/A	01101-01	790	-
Family Resource Center (current year)	N/A	01101-02	71,630	73,325
State of North Carolina Office of Juvenile Justice:				
Pass-through from the NC Department of Health and Human Services:				
Division of Women's and Children's Health:				
Intensive Home Visit (prior year)	N/A	905101-01	(404)	-
Intensive Home Visit (current year)	N/A	01130-02	30,298	39,973
NC Department of Health and Human Services:				
Division of Public Health:				
Intensive Home Visit		01224-02	-	37,810
Division of Child Development:				
Pass-through from the NC Partnership for Children, Inc.:				
Early Childhood Initiatives Program (prior year)	N/A	* 1-01-2-01-001	(775)	-
Early Childhood Initiatives Program (current year)	N/A	* 1-12-2-01-001	604,408	603,391
Multi-County Accounting and Contracting Grant	N/A	-	<u>12,000</u>	<u>12,000</u>
<b>Total State Awards</b>			<u>717,947</u>	<u>766,499</u>
<b>Total Federal and State Awards</b>			<u>\$ 865,662</u>	<u>\$ 976,990</u>

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

See Independent Auditors' Report.

**ASHE COUNTY PARTNERSHIP FOR CHILDREN  
SCHEDULE OF PROPERTY AND EQUIPMENT  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 4**

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Furniture and Non-Computer Equipment	\$ 30,293
Computer Equipment/Printers	51,190
Buildings	5,050
Leasehold Improvements	350,825
Motor Vehicles	<u>82,925</u>
Total Property and Equipment	\$ <u>520,283</u>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year-end. On the regulatory basis of accounting, these items are expensed in the year purchased.

See Independent Auditors' Report.

**ASHE COUNTY PARTNERSHIP FOR CHILDREN  
SCHEDULE OF QUALIFYING MATCH (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 5**

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***Match Provided at the Partnership Level:***

Cash	\$ 257,603
In-Kind Goods and Services	<u>12,156</u>
	<u>\$ 269,759</u>

***Match Provided at the Contractor Level:***

Cash	\$ 85,134
In-Kind Goods and Services	<u>1,680</u>
	<u>\$ 86,814</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(1). The law allows for volunteer services to be valued for match purposes, a concept that deviates from accounting principles generally accepted in the United States of America.

See Independent Auditors' Report.

**INDEPENDENT AUDITORS' 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**

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

We have audited the financial statements of the Ashe County Partnership for Children (Ashe County Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated March 26, 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 Ashe County 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 Ashe County 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

**INDEPENDENT AUDITORS' 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)**

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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 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.

March 26, 2003

*Crisp Hughes Evans LLP*

## **DISTRIBUTION OF AUDIT REPORT**

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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.

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The Honorable Beverly M. Perdue  
The Honorable Richard H. Moore  
The Honorable Roy A. Cooper, III  
Mr. David T. McCoy  
Mr. Robert L. Powell  
Ms. Carmen Hooker Odom  
Mr. Ashley Thrift

Governor of North Carolina  
Lieutenant Governor of North Carolina  
State Treasurer  
Attorney General  
State Budget Officer  
State Controller  
Secretary, Department of Health and Human Services  
Chairman, Board of Directors  
North Carolina Partnership for Children, Inc.  
Executive Director  
North Carolina Partnership for Children, Inc.

Ms. Karen Ponder

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Minority Leader of the N. C. House of Representatives  
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## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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