



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF FORSYTH EARLY CHILDHOOD PARTNERSHIP

WINSTON-SALEM, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

FORSYTH EARLY CHILDHOOD PARTNERSHIP

WINSTON-SALEM, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

BOARD OF DIRECTORS

SYLVIA HAMLIN, BOARD CHAIR

ADMINISTRATIVE OFFICER

DR. DEAN CLIFFORD, EXECUTIVE DIRECTOR



Ralph Campbell, Jr.
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Directors, Forsyth Early Childhood Partnership

This report presents the results of our financial statement audit of the Forsyth Early Childhood Partnership (Forsyth 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 Forsyth 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 Forsyth 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 Forsyth Partnership is one of these local partnerships. As such, the Forsyth 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 Forsyth 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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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Forsyth Early Childhood Partnership
Winston-Salem, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Forsyth Early Childhood Partnership (Forsyth 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 Forsyth 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 Forsyth Early Childhood Partnership 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 June 18, 2003 on our consideration of the Forsyth 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 Forsyth Early Childhood Partnership 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

June 18, 2003

Forsyth Early Childhood Partnership

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 \$235,597)	\$ 6,520,870	\$ 156,206	\$ 0	\$ 6,677,076
Federal Awards		11,872		11,872
Private Contributions		154,494	64,702	219,196
Special Fund Raising Events		473		473
Interest and Investment Earnings		12,151	76	12,227
Sales Tax Refunds		10,665		10,665
Other Receipts	44,905	25,026		69,931
Total Receipts	6,565,775	370,887	64,778	7,001,440
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		119,509	(119,509)	
Expiration of Time Restrictions		4,730	(4,730)	
	6,565,775	495,126	(59,461)	7,001,440
Expenditures:				
Programs:				
Child Care and Education Quality	2,161,185	56,801		2,217,986
Child Care and Education Affordability	1,813,502	4,212		1,817,714
Health and Safety	536,918	53,327		590,245
Family Support	1,245,780	110,419		1,356,199
More at Four	60,033	144,206		204,239
Support:				
Management and General	498,154	60,701		558,855
Program Evaluation	72,908			72,908
Program Coordination	129,378	13,341		142,719
Other:				
Sales Tax Paid		17,729		17,729
Refund of Prior Year Grant		31,948		31,948
Total Expenditures	6,517,858	492,684		7,010,542
Excess of Receipts Over Expenditures	47,917	2,442	(59,461)	(9,102)
Net Assets at Beginning of Year	191,312	126,969	178,417	496,698
Net Assets at End of Year	\$ 239,229	\$ 129,411	\$ 118,956	\$ 487,596
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 220,951	\$ 129,411	\$ 118,956	\$ 469,318
Refunds Due From Contractors	18,623			18,623
	239,574	129,411	118,956	487,941
Less: Funds Held for Others	345			345
	\$ 239,229	\$ 129,411	\$ 118,956	\$ 487,596

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

***Forsyth Early Childhood Partnership
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	\$ 2,161,185	633,571	105,421	21,419	49,112	84,978	15,803	1,250,881	
Child Care and Education Affordability	\$ 1,813,502	41,232	75	707	15,133	2,799	2,479	1,751,077	
Health and Safety	\$ 536,918							536,918	
Family Support	\$ 1,245,780	85,926	12,799	12,064	55,597	10,835	1,035	1,067,524	
More at Four	\$ 60,033							60,033	
	\$ 5,817,418	\$ 760,729	\$ 118,295	\$ 34,190	\$ 119,842	\$ 98,612	\$ 19,317	\$ 4,666,433	\$ 0
Support:									
Management and General	\$ 498,154	336,192	53,228	13,758	46,493	38,775	9,708		
Program Evaluation	\$ 72,908	29,647	37,559	754	2,918	1,900	130		
Program Coordination	\$ 129,378	105,527	5,987	1,198	5,496	7,496	3,674		
	\$ 700,440	\$ 471,366	\$ 96,774	\$ 15,710	\$ 54,907	\$ 48,171	\$ 13,512	\$ 0	\$ 0
Total Smart Start Fund Expenditures	\$ 6,517,858	\$ 1,232,095	\$ 215,069	\$ 49,900	\$ 174,749	\$ 146,783	\$ 32,829	\$ 4,666,433	\$ 0
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 56,801		372	1,250	469	1,025		53,685	
Child Care and Education Affordability	\$ 4,212							4,212	
Health and Safety	\$ 53,327	27,652	15,399	215	2,068			7,993	
Family Support	\$ 110,419	56,211	21,799	1,738	16,897	390		13,384	
More at Four	\$ 144,206							144,206	
	\$ 368,965	\$ 83,863	\$ 37,570	\$ 3,203	\$ 19,434	\$ 1,415	\$ 0	\$ 223,480	\$ 0
Support:									
Management and General	\$ 60,701	24,191	31,120		5,131	259			
Program Coordination	\$ 13,341	5,000		71	7,973	297			
	\$ 74,042	\$ 29,191	\$ 31,120	\$ 71	\$ 13,104	\$ 556	\$ 0	\$ 0	\$ 0
Other:									
Sales Tax Paid	\$ 17,729			17,729					
Refund of Prior Year Grant	\$ 31,948					31,948			
	\$ 49,677	\$ 0	\$ 0	\$ 17,729	\$ 0	\$ 31,948	\$ 0	\$ 0	\$ 0
Total Other Funds Expenditures	\$ 492,684	\$ 113,054	\$ 68,690	\$ 21,003	\$ 32,538	\$ 33,919	\$ 0	\$ 223,480	\$ 0

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

FORSYTH EARLY CHILDHOOD PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Forsyth Early Childhood Partnership (Forsyth Partnership) is a legally separate nonprofit organization incorporated on December 1, 1994. The Forsyth Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Forsyth 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 Forsyth 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 Forsyth 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 petty cash, cash on deposit with private bank accounts, savings accounts, and money market 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. 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 Forsyth Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. Deposits over this amount subjects the Forsyth Partnership to a concentration of credit risk.

The Forsyth Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investment is in the bank's short-term securities and is not insured by the FDIC. Consequently, the Forsyth Partnership bank deposits in excess of the FDIC insured limit totaled \$714,191 at June 30, 2002.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Forsyth 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 entered into contracts with and made payments to service providers selected by the Forsyth 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 is presented on Schedule 2 accompanying the financial statements.

The Forsyth Partnership was awarded and has received \$6,756,467 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 \$238,609 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.

More At Four – The Forsyth Partnership also received revenue and support from the State of North Carolina for the More At Four Program. The Forsyth Partnership was awarded \$211,750 under a current year cost-reimbursement contract. The unexpended balance of this contract is subject to reversion to the State. The Partnership expects to receive continued funding through new More at Four contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

functional categories presented in the accompanying financial statements and the methods for allocating costs:

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, behavior intervention, child care data - workforce studies, or curriculum enhancements.

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, public pre-K classes, Head Start wraparound, child care subsidy, transportation to child care, child care subsidy administration, or supplements for quality.

Health and Safety - Used to account for service activities including comprehensive dental services, prenatal/newborn services, child care health consultants/outreach nurses, comprehensive health support, child abuse and neglect intervention, special needs – early intervention services, or nutrition programs.

Family Support - Used to account for service activities including family resource centers, parenting education and skills training, teen parent/child programs, ongoing parenting education, general family support, community leadership, family literacy, outreach materials, or orientation to kindergarten.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Program Coordination - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Allocated based on employee time reports.

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

NOTE 6 - 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	\$ 142,470
2004	143,297
2005	140,556
2006	144,373
Total Minimum Lease Payments	\$ 570,696

Rental expense for all operating leases during the year was \$133,083.

NOTE 7 - PENSION PLAN

A. Retirement Plans - The Forsyth Partnership has a Simplified Employee Pension (SEP) plan covering all permanent employees working at least 20 hours per week. Each employee of the Forsyth Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company after a six-month waiting period. The Forsyth Partnership contributed 6% of gross wages for the year ended June 30, 2002. The Forsyth Partnership does not own the accounts nor is

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

liable for any other cost other than the required contribution. For the year ended June 30, 2002, the Forsyth Partnership contributed \$54,753 for pension benefits during the year.

- B. Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 403(b) Plan** - All qualifying employees 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 nonprofit organizations. The plans are considered individual participant accounts sponsored by the Partnership. All costs of administering and funding these plans are the responsibility of the Plan participants and there is not master contract between the employer and the plan provider. The voluntary contributions by employees amounted to \$30,582 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
More at Four	\$ 76
Program Support	20,000
Health Services	34,178
Child Care Scholarships	3,500
Community Educator Program	14,000
Parent Support/Nutrition Education	22,736
Community Family Avocation	6,796
Education Teacher Scholarships	5,000
Nutrition Matching Funds	10,000
Conference Funds	170
Kindergarten Transition Coordinator	2,500
	<u>\$ 118,956</u>

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

- 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
Organizational Development	\$ 10,000
Community Educator Program	8,190
Parent Support/Nutrition Education	37,944
Health Services	15,822
Dental Health	2,644
Inclusion Program	15,839
Child Care Scholarships	1,500
Faith Community Conference	2,500
Kindergarten Transition Coordinator	5,000
Faith Community Conference	2,500
Quality Improvement in Child Care Programs	13,800
Other Conference Funds	3,770
Reversion Due to Time Restrictions	4,730
	<u>\$ 124,239</u>

Forsyth Early Childhood Partnership
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
A Child's World	62,902			
Association for the Benefit of Child Development	678,738	(4,552)	13,384	
Catholic Social Services	70,464			
CenterPoint Human Services	* 35,677			
Creative Learning Center	* 33,327			
Downtown Health Plaza of Baptist Hospital	29,255			
East Winston Primary School	3,824		15,845	
Exchange/SCAN	123,035			
Family Services	* 30,520			
First Start Inc.	207,599	(1,282)		
Forsyth County Department of Public Health	* 151,694	(6,430)	7,993	
Forsyth County Department of Social Services	* 18,180			
Forsyth County Public Library	* 73,465		10,283	
Forsyth Medical Hospital	43,600			
Forsyth Technical Community College	* 51,484			
Goodwill Industries	8,641			
Guys and Doll's	35,980			
Junior League of Winston-Salem	17,612			
La Petite Academy	75,218			
Living Waters Family Resource Center	28,214			
Motherhead/Fatheread of Forsyth County	29,072			
New Horizons Childcare	34,671		11,625	
North Carolina Cooperative Extension	* 47,264			
North West Child Development Center	75,893			
Oldtown Community Child Development	190,072		16,733	
Rocking Horse	29,750			
St. Peter's World Outreach Center	48,000	(141)		
Step One	4,968			
The Children's Center	* 69,827			
The Special Children's School	117,122	(3,499)	14,350	
Wake Forest University School of Medicine	* 79,196			
Winston-Salem Urban League	32,628			
Winston-Salem/Forsyth County Schools	* 164,719	(2,719)	34,274	
Work Family Resource Center	406,108		13,985	
Various Day Care Providers	396,054		81,508	
	\$ 3,504,773	\$ (18,623)	\$ 219,980	\$ 0
Individuals:				
Child Care Expense Reimbursements	629,660		3,500	
Scholarships/Bonus Awards	550,623			
	\$ 1,180,283	\$ 0	\$ 3,500	\$ 0
	\$ 4,685,056	\$ (18,623)	\$ 223,480	\$ 0
* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.				

Schedule 2

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***Forsyth Early Childhood Partnership
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 Agriculture				
Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services				
State Administrative Matching Grants for Food Stamp Program	10.561	00671-02	\$ 11,872	\$ 16,863
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)		Various	(235,597)	
Early Childhood Initiatives Program (Current Year)	*	1-12-2-08-001	6,756,467	6,517,858
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
North Carolina Department of Health and Human Services				
More at Four Pre-Kindergarten Program		2090002890	144,206	144,206
Total State Awards			6,677,076	6,674,064
Total Federal and State Awards			\$ 6,688,948	\$ 6,690,927
* 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.				

***Forsyth Early Childhood Partnership
Schedule of Property and Equipment
For the Year Ended June 30, 2002***

Schedule 4

	Furniture and Non-Computer Equipment	\$	23,792
	Computer Equipment/Printers		124,374
	Leasehold Improvements		5,425
	Total Property and Equipment	\$	153,591
	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.		

***Forsyth Early Childhood Partnership
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2002***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	214,466
In-Kind Goods and Services		39,541
	\$	254,007

Match Provided at the Contractor Level:

Cash	\$	470,967
In-Kind Goods and Services		185,968
	\$	656,935

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

STATE OF NORTH CAROLINA
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
Forsyth Early Childhood Partnership
Winston-Salem, North Carolina

We have audited the financial statements of the Forsyth Early Childhood Partnership (Forsyth Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated June 18, 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 Forsyth 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 Forsyth 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

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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

June 18, 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.

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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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Appointees to the Joint Legislative Commission on Governmental Operations

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	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

August 6, 2003

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