



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF

STOKES PARTNERSHIP FOR CHILDREN

KING, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

STOKES PARTNERSHIP FOR CHILDREN

KING, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

BOARD OF DIRECTORS

GREG TAYLOR, BOARD CHAIR

ADMINISTRATIVE OFFICER

CINDY S. TUTTLE, 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, Stokes Partnership for Children

This report presents the results of our financial statement audit of the Stokes Partnership for Children (Stokes 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 Stokes 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 Stokes 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 Stokes Partnership is one of these local partnerships. As such, the Stokes 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 Stokes 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

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
EXHIBITS	
A Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis	3
B Statement of Functional Expenditures - Regulatory Basis	4
Notes to the Financial Statements	5
SUPPLEMENTARY SCHEDULES	
1 Schedule of Contract and Grant Expenditures - Regulatory Basis.....	10
2 Schedule of State Level Service Provider Contracts.....	11
3 Schedule of Federal and State Awards - Regulatory Basis	12
4 Schedule of Property and Equipment	13
5 Schedule of Qualifying Match (Non-GAAP).....	14
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 <i>GOVERNMENT AUDITING</i> <i>STANDARDS</i>	15
DISTRIBUTION OF AUDIT REPORT	17



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>

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stokes Partnership for Children
King, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Stokes Partnership for Children (Stokes 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 Stokes 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 Stokes 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 June 20, 2003 on our consideration of the Stokes 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 Stokes 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
June 20, 2003

Stokes 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 \$44,244)	\$ 756,425	\$ 85,244	\$ 0	\$ 841,669
Federal Awards		101,597		101,597
Private Contributions		24,055		24,055
Interest and Investment Earnings		364		364
Sales Tax Refunds		1,868		1,868
Other Receipts		1,533		1,533
Total Receipts	756,425	214,661	0	971,086
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		17,916	(17,916)	
	756,425	232,577	(17,916)	971,086
Expenditures:				
Programs:				
Child Care and Education Quality	224,374	151,515		375,889
Child Care and Education Affordability	135,113			135,113
Health and Safety	121,042	7,021		128,063
Family Support	101,380	31,632		133,012
Support:				
Management and General	127,284	48,864		176,148
Program Evaluation	44,336	271		44,607
Other:				
Sales Tax Paid		1,036		1,036
Total Expenditures	753,529	240,339	0	993,868
Excess of Receipts Over Expenditures	2,896	(7,762)	(17,916)	(22,782)
Net Assets at Beginning of Year	33,856	729	17,916	52,501
Net Assets at End of Year	\$ 36,752	\$ (7,033)	\$ 0	\$ 29,719
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 33,169	\$ (7,033)	\$ 0	\$ 26,136
Refunds Due From Contractors	3,583			3,583
	\$ 36,752	\$ (7,033)	\$ 0	\$ 29,719

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

Stokes 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	\$ 224,374	91,094	2,902	4,914	12,804	7,882		104,778	
Child Care and Education Affordability	\$ 135,113							135,113	
Health and Safety	\$ 121,042	24,347	118	649	4,335	2,383		89,210	
Family Support	\$ 101,380							101,380	
	\$ 581,909	\$ 115,441	\$ 3,020	\$ 5,563	\$ 17,139	\$ 10,265	\$ 0	\$ 430,481	\$ 0
Support:									
Management and General	\$ 127,284	98,153	4,491	2,410	9,603	12,627			
Program Evaluation	\$ 44,336	38,104	166	533	2,296	2,997	240		
	\$ 171,620	\$ 136,257	\$ 4,657	\$ 2,943	\$ 11,899	\$ 15,624	\$ 240	\$ 0	\$ 0
Total Smart Start Fund Expenditures	\$ 753,529	\$ 251,698	\$ 7,677	\$ 8,506	\$ 29,038	\$ 25,889	\$ 240	\$ 430,481	\$ 0
Other Funds:									
Programs:									
Child Care and Education Quality	\$ 151,515	126,591	338	1,916	12,353	2,035	8,282		
Health and Safety	\$ 7,021	2,454	2,818	721	1,028				
Family Support	\$ 31,632	3,171	253	5,204	2,698			20,306	
	\$ 190,168	\$ 132,216	\$ 3,409	\$ 7,841	\$ 16,079	\$ 2,035	\$ 8,282	\$ 20,306	\$ 0
Support:									
Management and General	\$ 48,864	37,484	1,261	1,706	4,148	1,965			2,300
Program Evaluation	\$ 271				271				
	\$ 49,135	\$ 37,484	\$ 1,261	\$ 1,706	\$ 4,419	\$ 1,965	\$ 0	\$ 0	\$ 2,300
Other:									
Sales Tax Paid	\$ 1,036	\$ 0	\$ 0	\$ 1,036	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Funds Expenditures	\$ 240,339	\$ 169,700	\$ 4,670	\$ 10,583	\$ 20,498	\$ 4,000	\$ 8,282	\$ 20,306	\$ 2,300

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Stokes Partnership for Children (Stokes Partnership) is a legally separate nonprofit organization incorporated on August 25, 1994. The Stokes Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Stokes 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 Stokes 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 Stokes Partnership did not have any temporarily or 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 and savings 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 Stokes 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 Stokes Partnership to a concentration of credit risk.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Stokes Partnership was awarded and has received \$790,743 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 \$36,752 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.

AmeriCorps and Children Together (ACT) - The Stokes Partnership also received a grant from the Corporation for National and Community Service for the AmeriCorps program. The grant award is on a cost-reimbursement basis not to exceed \$197,727. As of June 30, 2002, the Stokes Partnership had received \$84,164.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Stokes Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Stokes Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by NCPC and DHHS with board member organizations for activities funded by the Partnership's Smart Start Allocation.

NOTE 5 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – Regulatory Basis. Also, the Statement of Functional Expenditures – Regulatory Basis provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

A. Program Functions

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, professional development, salary supplements, NC Child Care Corps, or curriculum enhancements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Child Care and Education Affordability - Used to account for service activities including child care subsidy administration (DCD), public pre-K classes, child care cost supports (DCD), or child care subsidies.

Health and Safety - Used to account for service activities including vision screenings, comprehensive screenings, or special needs – early intervention services.

Family Support - Used to account for service activities including ongoing parenting education or 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.

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	\$ 21,467
2004	21,467
2005	3,317
2006	<u>1,667</u>
Total Minimum Lease Payments	\$ <u>47,918</u>

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Rental expense for all operating leases during the year was \$24,363.

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 403(b) Plan- All permanent employees who are at least half time can participate in a tax sheltered annuity plan created under Internal Revenue Code Section 403(b). The plan is a defined contribution plan in which each employee of the Stokes Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Stokes Partnership contributed 7.5% of gross wages for the year ended June 30, 2002. 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. All costs of administering and funding these plans are the responsibility of the Plan participants.

For the year ended June 30, 2002, the Stokes Partnership contributed \$9,940 for retirement benefits during the year. The voluntary contributions by employees amounted to \$3,892 during the year ended June 30, 2002.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Other Commitments - The Stokes Partnership has an agreement with the North Carolina Partnership for Children, Inc. for the repayment of disallowed grant funds totaling \$8,937. The Stokes Partnership has repaid \$2,300 with schedule payments of \$1,659 for the next four fiscal years.

NOTE 9 - RESTRICTIONS ON NET ASSETS

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
Festival of Trees	\$ 268
RJR Early Childhood Initiative	7,500
RJR Kindergarten Readiness	10,148
	<u>\$ 17,916</u>

Stokes 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
Forsyth Technical Community College *	32,260	(40)		
Generic Solutions	31,200			
New Life Center	10,376			
Northwestern Regional Library	24,135	(1,315)	15,006	
PACES (CenterPoint Human Services) *	6,275			
SCAN	81,000	(26)		
Stokes County Arts Council	5,082			
Stokes County Schools *	118,611	(150)	5,000	
Stokes Family Health *	89,050			
Winston - Salem Symphony	4,963			
Yadkin Valley Economic Development District, Inc. *			300	
	\$ 402,952	\$ (1,531)	\$ 20,306	\$ 0
Individuals:				
Longevity and Salary Supplements	\$ 31,112	\$ (2,052)	\$ 0	\$ 0
	\$ 434,064	\$ (3,583)	\$ 20,306	\$ 0
* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.				

**Stokes 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
National Society to Prevent Blindness - NC		11,250	\$ 11,250
Stokes County Department of Social Services *	270,821		\$ 270,821
	\$ 270,821	\$ 11,250	\$ 282,071
* 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.			

Stokes Partnership for Children
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:				
Corporation for National and Community Service				
Pass-through from the North Carolina Commission on Volunteerism and Community Service				
Americorps and Children Together (ACT) (Prior Year)	94.006	00ASFNC0342501	\$ 17,433	\$ (192)
Americorps and Children Together (ACT) (Prior Year)	94.006 *	00ASFNC0342501	84,164	95,506
Total Federal Awards			101,597	95,314
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	(34,317)	(461)
Early Childhood Initiatives Program (Current Year)		* 1-12-3-07-001	790,743	753,990
Multi-County Accounting and Contracting Grant			12,000	12,000
North Carolina Department of Public Instruction				
Division of Public Health				
Women's and Children's Health Section				
Pass-through from the University of North Carolina at Chapel Hill				
Parent Involvement in Child Service Coordination (Prior Year)		15301003	2,050	
Parent Involvement in Child Service Coordination (Current Year)		15301003	2,150	1,108
Family Support Network - Parent to Parent Program Responsibilities		2-42951-SUB-10	2,800	2,800
The University of North Carolina at Chapel Hill				
School Readiness Forum		N/A	1,000	1,000
Total State Awards			776,426	770,437
Total Federal and State Awards			\$ 878,023	\$ 865,751
* Programs with compliance requirements that have a direct and material effect on the financial statements.				

Stokes Partnership for Children
Schedule of Property and Equipment
For the Year Ended June 30, 2002

Schedule 4

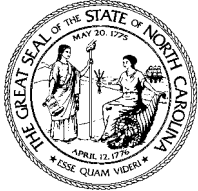
Furniture and Non-Computer Equipment		\$	12,445
Computer Equipment/Printers			38,716
Total Property and Equipment		\$	<u>51,161</u>

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 of purchase.

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

Schedule 5

		Schedule 5
Match Provided at the Partnership Level:		
Cash	\$	24,055
In-Kind Goods and Services		13,407
		<u>37,462</u>
Match Provided at the Contractor Level:		
Cash	\$	49,694
In-Kind Goods and Services		66,705
		<u>116,399</u>
<p>Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 1999-237, Section 11.48(l). The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles.</p>		



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>

**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
Stokes Partnership for Children
King, North Carolina

We have audited the financial statements of the Stokes Partnership for Children (Stokes Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated June 20, 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 Stokes 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 Stokes 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
June 20, 2003

DISTRIBUTION OF AUDIT REPORT

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

EXECUTIVE BRANCH

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

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight, Co-Chairman	Representative James B. Black, Co-Chairman
Senator Charlie Albertson	Representative Richard T. Morgan, Co-Chairman
Senator Kever M. Clark	Representative Martha B. Alexander
Senator Daniel G. Clodfelter	Representative E. Nelson Cole
Senator Walter H. Dalton	Representative James W. Crawford, Jr.
Senator James Forrester	Representative William T. Culpepper, III
Senator Linda Garrou	Representative W. Pete Cunningham
Senator Wilbur P. Gulley	Representative Beverly M. Earle
Senator Kay R. Hagan	Representative Stanley H. Fox
Senator David W. Hoyle	Representative R. Phillip Haire
Senator Ellie Kinnaird	Representative Dewey L. Hill
Senator Jeanne H. Lucas	Representative Maggie Jeffus
Senator William N. Martin	Representative Edd Nye
Senator Stephen M. Metcalf	Representative William C. Owens, Jr.
Senator Eric M. Reeves	Representative Drew P. Saunders
Senator Larry Shaw	Representative Wilma M. Sherrill
Senator R. C. Soles, Jr.	Representative Joe P. Tolson
Senator David F. Weinstein	Representative Thomas E. Wright
	Representative Douglas Y. Yongue

Other Legislative Officials

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

July 16, 2003

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Internet: <http://www.ncauditor.net>

Telephone: 919/807-7500

Facsimile: 919/807-7647