

**FINANCIAL STATEMENT AUDIT REPORT OF  
CHILDREN & YOUTH PARTNERSHIP FOR DARE  
COUNTY, INC.**

**NAGS HEAD, 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**  
**CHILDREN & YOUTH PARTNERSHIP FOR DARE COUNTY, INC.**

**NAGS HEAD, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**ANNE THOMAS, CO-CHAIR**

**JANET OWEN, CO-CHAIR**

**ADMINISTRATIVE OFFICER**

**LORETTA MICHAEL, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the 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, Children & Youth Partnership for Dare County, Inc.

This report presents the results of the financial statement audit of the Children & Youth Partnership for Dare County, Inc. 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 Children & Youth Partnership for Dare County, Inc. 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 Children & Youth Partnership for Dare County, Inc. is one of these local partnerships. As such, the Children & Youth Partnership for Dare County, Inc. 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  
Children & Youth Partnership for Dare County, Inc.  
Nags Head, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets--Regulatory Basis of the Children & Youth Partnership for Dare County, Inc. (Dare County 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 Dare County 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 misstatement. 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 Children & Youth Partnership for Dare County, Inc. as of June 30, 2002, and the results of its operations for the year then ended, on the basis of accounting described in Note 1.

## INDEPENDENT AUDITORS' REPORT (CONCLUDED)

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2003 on our consideration of the Dare County 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 Children & Youth Partnership for Dare County, Inc. taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be, and should not be, used by anyone other than these specified parties.

March 5, 2003

*Crisp Hughes Evans LLP*

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

|  | <b>Unrestricted Funds</b> |                  | <b>Temporarily</b> |                  |
|--|---------------------------|------------------|--------------------|------------------|
|  | <b>Smart Start</b>        | <b>Other</b>     | <b>Restricted</b>  | <b>Total</b>     |
|  | <b>Fund</b>               | <b>Funds</b>     | <b>Funds</b>       | <b>Funds</b>     |
| <b>Receipts:</b>   |                           |                  |                    |                  |
| State Awards (Less Refunds of \$5,969)                     | \$ 390,549                | \$ 43,015        | \$ -               | \$ 433,564       |
| Federal Awards   | -                         | 30,190           | -                  | 30,190           |
| Local Awards   | -                         | 55,743           | -                  | 55,743           |
| Private Contributions                                      | -                         | 7,179            | -                  | 7,179            |
| Special Fund Raising Events                                | -                         | 275              | -                  | 275              |
| Interest and Investment Earnings                           | -                         | 2,046            | -                  | 2,046            |
| Sales Tax Refunds  | -                         | 1,792            | -                  | 1,792            |
| Other Receipts   | -                         | 14,544           | -                  | 14,544           |
| <b>Total Receipts</b>                                      | <b>390,549</b>            | <b>154,784</b>   | <b>-</b>           | <b>545,333</b>   |
| Net Assets Released from Restrictions:                     |                           |                  |                    |                  |
| Satisfaction of Program Restrictions                       | -                         | 490              | (490)              | -                |
|  | <u>390,549</u>            | <u>155,274</u>   | <u>(490)</u>       | <u>545,333</u>   |
| <b>Expenditures:</b>                                       |                           |                  |                    |                  |
| Programs:  |                           |                  |                    |                  |
| Child Care and Education Quality                           | 160,036                   | 35,872           | -                  | 195,908          |
| Child Care and Education Accessibility<br>and Availability | -                         | 30,113           | -                  | 30,113           |
| Health and Safety  | 61,341                    | -                | -                  | 61,341           |
| Family Support   | 40,000                    | 47,334           | -                  | 87,334           |
| Healthy Carolinians  | -                         | 8,789            | -                  | 8,789            |
| Support:   |                           |                  |                    |                  |
| Management and General                                     | 115,118                   | 50,266           | -                  | 165,384          |
| Program Evaluation   | 8,000                     | -                | -                  | 8,000            |
| Other:   |                           |                  |                    |                  |
| Sales Tax Paid   | -                         | 1,634            | -                  | 1,634            |
| <b>Total Expenditures</b>                                  | <b>384,495</b>            | <b>174,008</b>   | <b>-</b>           | <b>558,503</b>   |
| <b>Excess of Receipts Over (Under)</b>                     |                           |                  |                    |                  |
| <b>Expenditures</b>  | 6,054                     | (18,734)         | (490)              | (13,170)         |
| <b>Net Assets at Beginning of Year</b>                     | <u>5,969</u>              | <u>64,587</u>    | <u>500</u>         | <u>71,056</u>    |
| <b>Net Assets at End of Year</b>                           | <u>\$ 12,023</u>          | <u>\$ 45,853</u> | <u>\$ 10</u>       | <u>\$ 57,886</u> |
| <b>Net Assets Consisted of:</b>                            |                           |                  |                    |                  |
| Cash and Cash Equivalents                                  | \$ 11,954                 | \$ 45,853        | \$ 10              | \$ 57,817        |
| Refunds Due from Contractors                               | <u>69</u>                 | <u>-</u>         | <u>-</u>           | <u>69</u>        |
|  | <u>\$ 12,023</u>          | <u>\$ 45,853</u> | <u>\$ 10</u>       | <u>\$ 57,886</u> |

The accompanying notes are an integral part of these statements.

**CHILDREN & YOUTH PARTNERSHIP FOR DARE COUNTY, INC.  
STATEMENT OF FUNCTIONAL EXPENDITURES--REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2002**

**EXHIBIT B**

|   | Total             | Personnel         | Contracted<br>Services | Supplies<br>and<br>Materials | Other<br>Operating | Fixed<br>Charges<br>and Other | Property<br>and<br>Equipment<br>Outlay | Services/<br>Contracts/<br>Grants |
|---|-------------------|-------------------|------------------------|------------------------------|--------------------|-------------------------------|--|-----------------------------------|
| <b>Smart Start Fund:</b>                                |                   |                   |                        |                              |                    |                               |  |                                   |
| <b>Programs:</b>  |                   |                   |                        |                              |                    |                               |  |                                   |
| Child Care and Education Quality                        | \$ 160,036        | \$ 82,666         | \$ -                   | \$ 1,201                     | \$ 12,874          | \$ 8,246                      | \$ -                                   | \$ 55,049                         |
| Health and Safety                                       | 61,341            | -                 | -                      | -                            | -                  | -                             | -                                      | 61,341                            |
| Family Support  | 40,000            | -                 | -                      | -                            | -                  | -                             | -                                      | 40,000                            |
| <b>Support:</b>   |                   |                   |                        |                              |                    |                               |  |                                   |
| Management and General                                  | 115,118           | 80,751            | 6,377                  | 4,874                        | 8,829              | 14,287                        | -                                      | -                                 |
| Program Evaluation                                      | 8,000             | -                 | 8,000                  | -                            | -                  | -                             | -                                      | -                                 |
| <b>Total Smart Start Fund Expenditures</b>              | <b>\$ 384,495</b> | <b>\$ 163,417</b> | <b>\$ 14,377</b>       | <b>\$ 6,075</b>              | <b>\$ 21,703</b>   | <b>\$ 22,533</b>              | <b>\$ -</b>                            | <b>\$ 156,390</b>                 |
| <b>Other Funds:</b>                                     |                   |                   |                        |                              |                    |                               |  |                                   |
| <b>Programs:</b>  |                   |                   |                        |                              |                    |                               |  |                                   |
| Child Care and Education Quality                        | \$ 35,872         | \$ 14,952         | \$ 3,200               | \$ 2,185                     | \$ 4,743           | \$ 50                         | \$ 1,999                               | \$ 8,743                          |
| Child Care and Education Accessibility and Availability | 30,113            | 28,031            | -                      | 2,082                        | -                  | -                             | -                                      | -                                 |
| Family Support  | 47,334            | 34,631            | -                      | 928                          | 9,564              | 2,211                         | -                                      | -                                 |
| Healthy Carolinians                                     | 8,789             | -                 | 8,695                  | -                            | 94                 | -                             | -                                      | -                                 |
| <b>Support:</b>   |                   |                   |                        |                              |                    |                               |  |                                   |
| Management and General                                  | 50,266            | 25,630            | 19,052                 | -                            | 2,617              | 2,967                         | -                                      | -                                 |
| <b>Other:</b>   |                   |                   |                        |                              |                    |                               |  |                                   |
| Sales Tax Paid  | 1,634             | -                 | -                      | 1,634                        | -                  | -                             | -                                      | -                                 |
| <b>Total Other Funds Expenditures</b>                   | <b>\$ 174,008</b> | <b>\$ 103,244</b> | <b>\$ 30,947</b>       | <b>\$ 6,829</b>              | <b>\$ 17,018</b>   | <b>\$ 5,228</b>               | <b>\$ 1,999</b>                        | <b>\$ 8,743</b>                   |

The accompanying notes are an integral part of these statements.



**CHILDREN & YOUTH PARTNERSHIP FOR DARE COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Children & Youth Partnership for Dare County, Inc. (Dare County Partnership) is a legally separate nonprofit organization incorporated on September 20, 1994. The Dare County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Dare 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 Dare County 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 Dare 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. 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, 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 Dare County 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 subject the Dare County Partnership to a concentration of credit risk.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Dare 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 contracts with and made payments to service providers selected by the Dare County Partnership. These service provider contracts are not reflected on the accompanying financial

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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statements. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Dare County Partnership was awarded and has received \$396,518 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 \$12,023 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2002.

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

### NOTE 4 - RELATED PARTY TRANSACTIONS

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

### 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, salary supplements, and learning materials and teaching aids.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**Child Care and Education Accessibility and Availability** - Used to account for service activities associated with increasing child care availability.

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

**Family Support** - Used to account for service activities including teen parent/child programs, community leadership, and community outreach.

**Healthy Carolinians** - Used to account for service activities associated with a comprehensive community health assessment as part of the Healthy Carolinians for Dare County process. Outcomes included a compilation of health statistics, recent surveys, focus group data on health concerns, and a Community Health Profile publication at the end of the project.

### **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), and supplies and materials were allocated based on estimates of utilization.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**NOTE 6 - MANAGEMENT AND GENERAL EXPENDITURES**

During the year, the Dare Partnership paid \$19,052 related to contracted accounting services and included those costs in management and general expenditures. That amount included amounts paid for accounting services for three partnerships in addition to the fees paid for services incurred by the Dare Partnership. Reimbursement from the other partnerships amounted to \$15,155 and is included in local awards.

**NOTE 7 - LEASE OBLIGATIONS**

**Operating Lease Operations** - Rental payments for all operating leases during the year were \$21,060.

**NOTE 8 - PENSION PLAN**

**IRC Section 403(b) Plan** - All permanent employees who are at least half-time can participate in a tax sheltered annuity plan created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. These plans are exclusively for employees of universities and certain charitable and other non-profit organizations. All costs of administering and funding these plans are the responsibility of the Plan participants. No costs are incurred by the Dare County Partnership. The voluntary contributions by employees amounted to \$15,750 during the year ended June 30, 2002.

**NOTE 9 - 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 |
|---------------|--------|
| Wings Program | \$ 10  |

## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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- 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:

| <u>Purpose</u> | <u>Amount</u> |
|----------------|---------------|
| Wings Program  | <u>\$ 490</u> |

**CHILDREN & YOUTH PARTNERSHIP FOR DARE COUNTY, INC.  
SCHEDULE OF CONTRACT AND GRANT EXPENDITURES--REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 1**

| Organization Name  | Smart Start Fund   |                | Other Funds        |               |
|--|--------------------|----------------|--------------------|---------------|
|  | Amount<br>Advanced | Refund<br>Due  | Amount<br>Advanced | Refund<br>Due |
| Dare County Health Department  | * \$ 101,410       | \$ (69)        | \$ -               | \$ -          |
| Various Day Care Providers--Quality Enhancement Grants                 | 7,824              | -              | -                  | -             |
| Tiny Tots, God's Love in Care, Headstart-- Quality Improvement Program | -                  | -              | 8,743              | -             |
| <b>Individuals:</b>  |                    |                |                    |               |
| Kyle Williams--Salary Supplement                                       | * 750              | -              | -                  | -             |
| Winona Twiford--Salary Supplement                                      | * 500              | -              | -                  | -             |
| Salary Supplements   | 45,975             | -              | -                  | -             |
|  | <b>\$ 156,459</b>  | <b>\$ (69)</b> | <b>\$ 8,743</b>    | <b>\$ -</b>   |

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

See Independent Auditors' Report.

**CHILDREN & YOUTH PARTNERSHIP FOR DARE COUNTY, INC.  
SCHEDULE OF STATE LEVEL SERVICE PROVIDER CONTRACTS  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 2**

| Organization Name                         |   | DHHS<br>Contracts |
|---|---|-------------------|
| Dare County Department of Social Services | * | \$ 138,406        |

- \* This organization is 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 the Department of Health and Human Services (DHHS) as described in Note 3 - Funding From Grant Awards.

See Independent Auditors' Report.



**CHILDREN & YOUTH PARTNERSHIP FOR DARE COUNTY, INC.  
SCHEDULE OF FEDERAL AND STATE AWARDS--REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 3**

| <u>Federal/State Grantor/<br/>Pass-through Grantor/Program</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Contract #</u> | <u>Receipts</u>   | <u>Expenditures</u> |
|--|------------------------------------|-------------------|-------------------|---------------------|
| <b>Federal Awards:</b>   |                                    |                   |                   |                     |
| North Carolina Department of Health and<br>Human Services:<br>Division of Child Development:<br>Child Care and Development Block Grant   | 93.575                             | 5991              | \$ <u>30,190</u>  | \$ <u>30,113</u>    |
| <b>State Awards:</b>   |                                    |                   |                   |                     |
| North Carolina Department of Health and<br>Human Services:<br>Division of Child Development:<br>Pass-through from the North Carolina<br>Partnership for Children, Inc.:<br>Early Childhood Initiatives Program<br>(prior year) |                                    | 1-01-4-05-001     | (5,969)           | -                   |
| Early Childhood Initiatives Program<br>(current year)  |                                    | *1-12-4-05-001    | 396,518           | 384,495             |
| Multi-County Accounting and<br>Contracting Grant   |                                    |                   | 12,000            | 12,000              |
| Pass-through from the Tyrrell County<br>Smart Start, Inc.:<br>Child Care Provider Programs   |                                    | 3-12-5-31-0007    | <u>31,015</u>     | <u>28,382</u>       |
| <b>Total State Awards</b>  |                                    |                   | <u>433,564</u>    | <u>424,877</u>      |
| <b>Total Federal and State Awards</b>  |                                    |                   | \$ <u>463,754</u> | \$ <u>454,990</u>   |

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

See Independent Auditors' Report.

**CHILDREN & YOUTH PARTNERSHIP FOR DARE COUNTY, INC.  
SCHEDULE OF PROPERTY AND EQUIPMENT  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 4**

|                                      |                  |
|--------------------------------------|------------------|
| Furniture and Non-Computer Equipment | \$ 14,175        |
| Computer Equipment/Printers          | <u>24,325</u>    |
| Total Property and Equipment         | \$ <u>38,500</u> |

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more that 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.

**CHILDREN & YOUTH PARTNERSHIP FOR DARE COUNTY, INC.  
SCHEDULE OF QUALIFYING MATCH (NON-GAAP)  
FOR THE YEAR ENDED JUNE 30, 2002**

**SCHEDULE 5**

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

|                            |                   |
|----------------------------|-------------------|
| Cash                       | \$ 63,197         |
| In-Kind Goods and Services | <u>58,094</u>     |
|                            | <u>\$ 121,291</u> |

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

|                            |                  |
|----------------------------|------------------|
| Cash                       | \$ 24,319        |
| In-Kind Goods and Services | <u>13,811</u>    |
|                            | <u>\$ 38,130</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  
Children & Youth Partnership for Dare County, Inc.  
Nags Head, North Carolina

We have audited the financial statements of the Children & Youth Partnership for Dare County, Inc. (Dare County Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated March 5, 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 Dare 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 Dare 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

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL  
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GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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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 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 5, 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.

### **EXECUTIVE BRANCH**

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

### **LEGISLATIVE BRANCH**

#### **Appointees to the Joint Legislative Commission on Governmental Operations**

|                                    |  |
|------------------------------------|--|
| Senator Marc Basnight, Co-Chairman | Representative James B. Black, Co-Chairman |
| Senator Charlie Albertson          | Representative Martha B. Alexander         |
| Senator Kever M. Clark             | Representative E. Nelson Cole              |
| Senator Daniel G. Clodfelter       | Representative James W. Crawford, Jr.      |
| Senator Walter H. Dalton           | Representative William T. Culpepper, III   |
| Senator James Forrester            | Representative W. Pete Cunningham          |
| Senator Linda Garrou               | Representative Beverly M. Earle            |
| Senator Wilbur P. Gulley           | Representative Stanley H. Fox              |
| Senator Kay R. Hagan               | Representative R. Phillip Haire            |
| Senator David W. Hoyle             | Representative Dewey L. Hill               |
| Senator Ellie Kinnaird             | Representative Maggie Jeffus               |
| Senator Jeanne H. Lucas            | Representative Edd Nye                     |
| Senator William N. Martin          | Representative William C. Owens, Jr.       |
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| Senator Larry Shaw                 | Representative Joe P. Tolson               |
| Senator R. C. Soles, Jr.           | Representative Thomas E. Wright            |
| Senator David F. Weinstein         | 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 | Minority Leader of the N. C. House of Representatives |
| Representative Joe Hackney     | N. C. House Speaker Pro-Tem                           |
| Mr. James D. Johnson           | Director, Fiscal Research Division                    |

## ORDERING INFORMATION

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Copies of this report may be obtained by contacting the:

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

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