

**FINANCIAL STATEMENT AUDIT REPORT OF  
UNION COUNTY PARTNERSHIP FOR CHILDREN, INC.  
MONROE, 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  
UNION COUNTY PARTNERSHIP FOR CHILDREN, INC.**

**MONROE, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**REV. JOHN GERSTENMIER, CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**MARY ANN RASBERRY, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State  
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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, Union County Partnership for Children, Inc.

This report presents the results of the financial statement audit of the Union County Partnership for Children, 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 Union County Partnership for Children, 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 Union County Partnership for Children, Inc. is one of these local partnerships. As such, the Union County Partnership for Children, 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.'.

Ralph Campbell, Jr.  
State Auditor

## TABLE OF CONTENTS

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	PAGE
INDEPENDENT AUDITORS' 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 AUDITORS' 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 STANDARDS</i> .....	15
DISTRIBUTION OF AUDIT REPORT .....	17

## INDEPENDENT AUDITORS' REPORT

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Board of Directors  
Union County Partnership for Children, Inc.  
Monroe, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets--Regulatory Basis of the Union County Partnership for Children, Inc. (Union 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 Union 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 Union County Partnership for Children, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2003 on our consideration of the Union County Partnership's internal control over

## INDEPENDENT AUDITORS' REPORT (CONCLUDED)

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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 Union County Partnership for Children, 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 19, 2003

*Crisp Hughes Evans LLP*

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

	<u>Unrestricted Funds</u>		<u>Temporarily</u>	<u>Total</u>
	<u>Smart Start</u>	<u>Other</u>	<u>Restricted</u>	
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
<b>Receipts:</b>				
State Awards (Less Refunds of \$5,705)	\$ 1,033,400	\$ -	\$ -	\$ 1,033,400
Federal Awards	-	27,565	-	27,565
Local Awards	-	-	65,000	65,000
Private Contributions	-	30,482	24,905	55,387
Interest and Investment Earnings	-	2,790	-	2,790
Sales Tax Refunds	-	17,770	-	17,770
Other Receipts	<u>1,854</u>	<u>-</u>	<u>-</u>	<u>1,854</u>
<b>Total Receipts</b>	<u>1,035,254</u>	<u>78,607</u>	<u>89,905</u>	<u>1,203,766</u>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>-</u>	<u>13,094</u>	<u>(13,094)</u>	<u>-</u>
	<u>1,035,254</u>	<u>91,701</u>	<u>76,811</u>	<u>1,203,766</u>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	444,459	45,704	-	490,163
Child Care and Education Accessibility and Availability	60,647	-	-	60,647
Child Care and Education Affordability	19,994	-	-	19,994
Health and Safety	130,011	-	-	130,011
Family Support	113,808	29,647	-	143,455
Support:				
Management and General	202,512	3,904	-	206,416
Program Evaluation	48,924	85	-	49,009
Program Coordination	10,899	148	-	11,047
Other:				
Sales Tax Paid	<u>-</u>	<u>7,663</u>	<u>-</u>	<u>7,663</u>
<b>Total Expenditures</b>	<u>1,031,254</u>	<u>87,151</u>	<u>-</u>	<u>1,118,405</u>
<b>Excess of Receipts Over Expenditures</b>	4,000	4,550	76,811	85,361
<b>Net Assets at Beginning of Year</b>	<u>3,851</u>	<u>(8,433)</u>	<u>15,151</u>	<u>10,569</u>
<b>Net Assets at End of Year</b>	<u>\$ 7,851</u>	<u>\$ (3,883)</u>	<u>\$ 91,962</u>	<u>\$ 95,930</u>
<b>Net Assets Consisted of:</b>				
Cash on Deposit	\$ 1,909	\$ (3,883)	\$ 91,962	\$ 89,988
Refunds Due from Contractors	<u>5,942</u>	<u>-</u>	<u>-</u>	<u>5,942</u>
	<u>\$ 7,851</u>	<u>\$ (3,883)</u>	<u>\$ 91,962</u>	<u>\$ 95,930</u>

The accompanying notes are an integral part of these statements.

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

**EXHIBIT B**

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating	Fixed Charges and Other	Property and Equipment Outlay	Services/Contracts/Grants	Participant Training
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 444,459	\$ 152	\$ 24,000	\$ 718	\$ 1,238	\$ 373	\$ -	\$ 417,661	\$ 317
Child Care and Education Accessibility and Availability	60,647	-	-	-	-	-	-	60,647	-
Child Care and Education Affordability	19,994	-	-	-	-	-	-	19,994	-
Health and Safety	130,011	-	-	-	-	-	-	130,011	-
Family Support	113,808	38,222	540	6,363	2,586	1,756	252	64,089	-
<b>Support:</b>									
Management and General	202,512	116,342	27,809	4,722	19,136	25,860	8,643	-	-
Program Evaluation	48,924	-	-	-	-	-	-	48,924	-
Program Coordination	10,899	10,140	-	14	408	337	-	-	-
<b>Total Smart Start Fund Expenditures</b>	<b>\$1,031,254</b>	<b>\$ 164,856</b>	<b>\$ 52,349</b>	<b>\$ 11,817</b>	<b>\$ 23,368</b>	<b>\$ 28,326</b>	<b>\$ 8,895</b>	<b>\$ 741,326</b>	<b>\$ 317</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 45,704	\$ -	\$ -	\$ 2,343	\$ 700	\$ -	\$ -	\$ 42,661	\$ -
Family Support	29,647	756	158	909	-	60	-	27,764	-
<b>Support:</b>									
Management and General	3,904	-	-	1,091	-	-	2,813	-	-
Program Evaluation	85	-	-	70	2	13	-	-	-
Program Coordination	148	-	-	-	148	-	-	-	-
<b>Other:</b>									
Sales Tax Paid	7,663	-	-	7,663	-	-	-	-	-
<b>Total Other Funds Expenditures</b>	<b>\$ 87,151</b>	<b>\$ 756</b>	<b>\$ 158</b>	<b>\$ 12,076</b>	<b>\$ 850</b>	<b>\$ 73</b>	<b>\$ 2,813</b>	<b>\$ 70,425</b>	<b>\$ -</b>

The accompanying notes are an integral part of these statements.

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

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Union County Partnership for Children, Inc. (Union County Partnership) is a legally separate nonprofit organization incorporated on August 24, 1998. The Union County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Union 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 Union County Partnership's Board of Directors is responsible. In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Organizations," the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this Statement, temporarily restricted contributions received and expended in the same year are reported as unrestricted receipts rather than as temporarily restricted receipts.

Contributions that are temporarily restricted and not expended within the year received are reported as an increase in temporarily restricted net assets. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of receipts, expenditures, and net assets as net assets released from restrictions.

The Union 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.

**D. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year end which are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the state awards balance.

**E. 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 Union County Partnership are deposited with one commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subject the Union County Partnership to a concentration of credit risk.

The Union County Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investment is in the bank's business investors' securities and is not insured by the FDIC. Consequently, the Union County Partnership bank deposits in excess of the FDIC insured limit totaled \$117,718 at June 30, 2002

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Union 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 Union County Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider

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

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contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Union County Partnership was awarded and has received \$1,039,105 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 \$7,851 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 Union County Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Union 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 upgrade grants, child care resource and referral, professional development, salary supplements, learning materials and teaching aids, and community planning for school readiness.

## 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 inclusion support.

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

**Health and Safety** - Used to account for service activities including comprehensive screenings, prenatal/newborn services, and child abuse and neglect intervention.

**Family Support** - Used to account for service activities including ongoing parenting education, support services for children and families in crisis, family literary and community outreach.

### **B. Support Functions**

**Management and General** - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

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

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

### **C. Allocation of Joint Costs**

Expenditures benefiting more than one purpose were allocated as follows:

**Other Costs** - Other costs, including occupancy cost (rent and utilities) and telephone cost were allocated based on estimates of utilization.

**NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**

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**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

Total rental payments for all operating leases was \$19,999 for the year ended June 30, 2002.

**NOTE 7 - PENSION PLAN**

**IRC Section 403(b)** - All permanent employees who are full-time can participate in a tax sheltered annuity plan created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and state income taxes until the annuity is received or the contributions are withdrawn. All costs of administering and funding this plan are the responsibility of the plan. The partnership contributes 6% of gross wages to the plan. The partnership's contributions amounted to \$6,082 during the year ended June 30, 2002. The partnership requires a 2% minimum contribution by employees. Total employee contributions were \$14,620.

**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
Child Care Resource and Referral Expenditures	\$ 2,000
Teacher of the Year	22
Family Support	19,279
Pre-K Pilot Project	65,000
Folic Acid Project	5,661
	\$ 91,962

**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
Teacher of the Year Award	\$ 94
Child Care Resources and Referral Expenditures	13,000
	\$ 13,094

**UNION COUNTY PARTNERSHIP FOR CHILDREN, 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 Advanced	Refund Due	Amount Advanced	Refund Due
Child Care Resources Inc.	* \$ 173,772	\$ -	\$ 35,500	\$ -
Other Child Care Centers - Quality Enhancement Grants	85,533	-	7,161	-
Piedmont Behavioral Healthcare	60,647	-	-	-
Praxis Research Inc.	48,925	-	-	-
South Piedmont Community College	* 141,309	-	600	-
Turning Point of Union County	26,705	-	-	-
Union County Community Action	28,318	-	-	-
Union County Health Department	* 73,578	(5,875)	-	-
Union County Public Schools	* 44,064	(67)	27,164	-
United Family Services	62,308	-	-	-
<b>Individuals:</b>				
Scholarships	2,109	-	-	-
	<b>\$ 747,268</b>	<b>\$ (5,942)</b>	<b>\$ 70,425</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.

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

**SCHEDULE 2**

<b>Organization Name</b>	<b>DHHS Contracts</b>
Child Care Services Association - WAGES Program	\$ 120,000
Union County Department of Social Services	* 1,368,023
	<b>\$ 1,488,023</b>

\* 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.

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

**SCHEDULE 3**

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
<b>Federal Awards:</b>				
US Department of Health and Human Services:				
Pass-through from the North Carolina Department of Health and Human Services - Division of Social Services:				
Temporary Assistance for Needy Families (TANF):				
English Spanish Language Summer Program	93.558	00384-01	\$ <u>27,565</u>	\$ <u>27,565</u>
<b>State Awards:</b>				
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 (other prior years)	N/A	1-90-5-32-001	(676)	-
Early Childhood Initiatives Program (prior year)	N/A	1-01-5-32-001	(5,029)	-
Early Childhood Initiatives Program (current year)	N/A	* 1-12-5-32-001	<u>1,039,105</u>	<u>1,031,254</u>
<b>Total State Awards</b>			<u>1,033,400</u>	<u>1,031,254</u>
<b>Total Federal and State Awards</b>			\$ <u>1,060,965</u>	\$ <u>1,058,819</u>

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

See Independent Auditors' Report.

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

**SCHEDULE 4**

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Furniture and Non-Computer Equipment	\$ 18,710
Computer Equipment/Printers	<u>100,013</u>
Total Property and Equipment	<u>\$ 118,723</u>

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

See Independent Auditors' Report.

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

**SCHEDULE 5**

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

Cash	\$ 120,387
In-Kind Goods and Services	<u>50,752</u>
	<u>\$ 171,139</u>

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

Cash	\$ 305,899
In-Kind Goods and Services	<u>5,900</u>
	<u>\$ 311,799</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  
Union County Partnership for Children, Inc.  
Monroe, North Carolina

We have audited the financial statements of the Union County Partnership for Children, Inc. (Union County Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated March 19, 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 Union 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 Union County Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS (CONCLUDED)**

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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 19, 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  
The Honorable Beverly M. Perdue  
The Honorable Richard H. Moore  
The Honorable Roy A. Cooper, III  
Mr. David T. McCoy  
Mr. Robert L. Powell  
Ms. Carmen Hooker Odom  
Mr. Ashley Thrift

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

Ms. Karen Ponder

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Senator Charlie Albertson  
Senator Kever M. Clark  
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Senator Walter H. Dalton  
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Representative N. Leo Daughtry  
Representative Joe Hackney  
Mr. James D. Johnson

Majority Leader of the N. C. Senate  
Minority Leader of the N. C. Senate  
Minority Leader of the N. C. House of Representatives  
N. C. House Speaker Pro-Tem  
Director, Fiscal Research Division

## ORDERING INFORMATION

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