

STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF MECKLENBURG PARTNERSHIP FOR CHILDREN

CHARLOTTE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

MECKLENBURG PARTNERSHIP FOR CHILDREN

CHARLOTTE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

BOARD OF DIRECTORS

NANCY M. CROWN, BOARD CHAIRMAN

ADMINISTRATIVE OFFICER

JANE MEYER, EXECUTIVE DIRECTOR



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

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AUDITOR'S TRANSMITTAL

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

This report presents the results of our financial statement audit of the Mecklenburg Partnership for Children (Mecklenburg Partnership) for the year ended June 30, 2004. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

The accounts and operations of the Mecklenburg 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 Mecklenburg 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 Mecklenburg Partnership is one of these local partnerships. As such, the Mecklenburg Partnership is a private nonprofit 501(c)(3) organization and is required by General Statute 143B-168.14(b) to have a financial and compliance audit conducted by the Office of 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.

Results – The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with the modified cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles.

AUDITOR'S TRANSMITTAL (CONCLUDED)

2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Mecklenburg Partnership's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance or other matters, if any, with laws, regulations, contracts, or grant agreements.

Results - Our tests disclosed no significant deficiencies in the internal control over financial reporting and no instances of noncompliance or other matters that require disclosure herein under *Government Auditing Standards*.

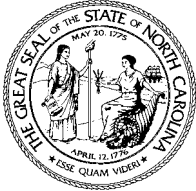
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mecklenburg Partnership for Children
Charlotte, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Mecklenburg Partnership for Children (Mecklenburg Partnership), as of June 30, 2004, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Mecklenburg 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 modified cash basis of accounting, 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 Mecklenburg Partnership for Children as of June 30, 2004, and the results of its operations arising from modified cash basis transactions 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 July 28, 2005, on our consideration of the Mecklenburg Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mecklenburg Partnership for Children's basic financial statements. The information in Schedules 1, 3, 4, and 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

Leslie W. Merritt, Jr.

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

July 28, 2005

Mecklenburg Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2004

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$183,688)	\$ 7,642,882	\$ 3,032,201	\$ 0	\$ 10,675,083
Local Awards		165,505	34,495	200,000
Private Contributions		39,713	17,001	56,714
Interest and Investment Earnings		4,205		4,205
Sales Tax Refunds		16,409		16,409
Other Receipts		7,096		7,096
Total Receipts	7,642,882	3,265,129	51,496	10,959,507
Net Assets Released from Restrictions: Satisfaction of Program Restrictions		2,505	(2,505)	
	7,642,882	3,267,634	48,991	10,959,507
Expenditures:				
Programs:				
Child Care and Education Affordability	1,454,854	91,200		1,546,054
Child Care and Education Quality	1,177,592			1,177,592
Family Support	436,532	30,259		466,791
Health and Safety	1,972,377	33,000		2,005,377
More at Four	1,882,945	3,626,891		5,509,836
Support:				
Management and General	597,753	17,042		614,795
Program Coordination	172,053			172,053
Program Evaluation	81,869	161		82,030
Other:				
Sales Tax Paid		18,889		18,889
Total Expenditures	7,775,975	3,817,442		11,593,417
Excess of Receipts Over Expenditures	(133,093)	(549,808)	48,991	(633,910)
Net Assets at Beginning of Year	183,688	551,728	2,505	737,921
Net Assets at End of Year	\$ 50,595	\$ 1,920	\$ 51,496	\$ 104,011
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 33,653	\$ 1,920	\$ 51,496	\$ 87,069
Refunds Due From Contractors	16,942			16,942
	\$ 50,595	\$ 1,920	\$ 51,496	\$ 104,011

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

Mecklenburg Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2004

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 Affordability	\$ 1,454,854	\$ 806	\$ 0	\$ 0	\$ 245	\$ 760	\$ 0	\$ 1,453,043	\$ 0
Child Care and Education Quality	1,177,592		14,895		644			1,162,053	
Family Support	436,532		61,036	1,429	14,115			359,952	
Health and Safety	1,972,377							1,972,377	
More at Four	1,882,945	157,661	350	100	6,849			1,717,985	
	<u>6,924,300</u>	<u>158,467</u>	<u>76,281</u>	<u>1,529</u>	<u>21,853</u>	<u>760</u>		<u>6,665,410</u>	
Support:									
Management and General	597,753	424,344	39,758	15,239	33,176	59,981	25,255		
Program Coordination	172,053	171,091			533	429			
Program Evaluation	81,869	59,260	22,495		114				
	<u>851,675</u>	<u>654,695</u>	<u>62,253</u>	<u>15,239</u>	<u>33,823</u>	<u>60,410</u>	<u>25,255</u>		
Total Smart Start Fund Expenditures	\$ 7,775,975	\$ 813,162	\$ 138,534	\$ 16,768	\$ 55,676	\$ 61,170	\$ 25,255	\$ 6,665,410	\$ 0
Other Funds:									
Programs:									
Child Care and Education Affordability	\$ 91,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 91,200	\$ 0
Family Support	30,259		21,500	50	8,709				
Health and Safety	33,000		33,000						
More at Four	3,626,891	10,302	6,388	10,048	3,268		600	3,596,285	
	<u>3,781,350</u>	<u>10,302</u>	<u>60,888</u>	<u>10,098</u>	<u>11,977</u>		<u>600</u>	<u>3,687,485</u>	
Support:									
Management and General	17,042	10,375		20	4,374	773	1,500		
Program Evaluation	161				161				
	<u>17,203</u>	<u>10,375</u>		<u>20</u>	<u>4,535</u>	<u>773</u>	<u>1,500</u>		
Other:									
Sales Tax Paid	18,889			18,889					
Total Other Funds Expenditures	\$ 3,817,442	\$ 20,677	\$ 60,888	\$ 29,007	\$ 16,512	\$ 773	\$ 2,100	\$ 3,687,485	\$ 0

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

MECKLENBURG PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Mecklenburg Partnership for Children (Mecklenburg Partnership), is a legally separate nonprofit organization incorporated on October 15, 1993. The Mecklenburg Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Mecklenburg 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 Mecklenburg 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 Mecklenburg Partnership did not have any permanently restricted net assets at June 30, 2004.

- C. Basis of Accounting** - The accompanying financial statements were prepared on the modified cash basis of accounting. 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)

However, unexpended advances to contractors that revert back to the State of North Carolina 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 – Modified Cash Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- 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. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Mecklenburg Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Mecklenburg Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2004. Donated items are recorded at estimated fair market value at the date of donation.
- G. Compensated Absences** – As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

NOTE 2 - DEPOSITS

All funds of the Mecklenburg Partnership are deposited with commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Mecklenburg Partnership to a concentration of credit risk.

The Mecklenburg Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investment is through

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

repurchase agreements that invest in securities that are limited to those issued by or guaranteed by the United States government or federal government agencies. While not insured by the Federal Deposit Insurance Corporation (FDIC), the funds are collateralized at 100% of market value. Consequently, the Mecklenburg Partnership bank deposits in excess of the FDIC insured limit totaled \$1,136,000 at June 30, 2004.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

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

The Mecklenburg Partnership was awarded and has received \$7,826,570 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Mecklenburg Partnership has returned \$50,595 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2004.

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

More at Four - The Mecklenburg Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Mecklenburg Partnership was awarded \$3,124,986 and received \$3,020,201 under a current year cost-reimbursement contract. The Mecklenburg Partnership expects to receive continued funding through new More at Four contracts with the State.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Mecklenburg Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Mecklenburg Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Mecklenburg 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 Mecklenburg 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 – Modified Cash Basis. Also, the Statement of Functional Expenditures – Modified Cash 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 Affordability - Used to account for service activities including pre-K classes, supplements for quality (Division of Child Development), Head Start classrooms, part-day care programs, Preschool (0-4) classes.

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, or provider training.

Family Support - Used to account for service activities including family resource centers, parenting skills training, teen parent/child programs, general family support, transportation services, or community outreach information and resources.

Health and Safety - Used to account for service activities including oral health services, speech and hearing screenings, prenatal/newborn services, comprehensive health support, child abuse and neglect intervention, special needs – early intervention services/special education, or home visiting.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

More at Four – Used to account for development and implementation of More at Four prekindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

B. Support Functions

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

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.

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.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2004:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2005	\$ 70,544
2006	70,544
2007	70,544
2008	70,544
2009	70,544
2010 and beyond (5-yr. increments)	<u>264,539</u>
Total Minimum Lease Payments	<u>\$ 617,259</u>

Rental expense for all operating leases during the year was \$49,607.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 403(b) Plan - All permanent employees who are full time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the Mecklenburg Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Mecklenburg Partnership contributed 10% of gross wages for the year ended June 30, 2004. 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. The Mecklenburg Partnership contributed \$48,058 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Mecklenburg Partnership is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Mecklenburg Partnership manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions, health and life	Purchased commercial insurance	None
Workers Compensation – Employee injuries	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant losses to the Mecklenburg Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Compensated Absences – As a result of the Mecklenburg Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

statements. The compensated absences commitment for vacation leave at June 30, 2004, is \$16,742. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2004, are available for the following purposes:

Purpose	Amount
More at Four Program	\$ 34,495
Preventative Dental Care	<u>17,001</u>
	<u>\$ 51,496</u>

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2004, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Family Support Programs	<u>\$ 2,505</u>

Mecklenburg Partnership for Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2004

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
All My Children	\$ 85,522	\$ 0	\$ 130,853	\$ 0
Bethlehem Centers, Inc.	* 45,406		64,449	
Breastfeeding Encouragement Learning Liaison and Support	110,256	(8)		
Bright Future Learning Center	46,642		68,083	
Bright Horizons Family Solutions	67,844		158,661	
Central Piedmont Community College	* 51,234	(3,944)		
Charlotte-Mecklenburg Schools	* 478,538		138,995	
Charlotte-Mecklenburg Senior Center, Inc.	83,200			
Child Care Resources, Inc.	* 588,757		334	
Childcare Network, Inc.	385,565		752,037	
Communities in School	109,816			
Cureton Miller Associates, Inc.	121,381		216,665	
Day Care, Inc.	126,338		219,309	
Easter Seals of North Carolina	489,210	(169)		
Fairyland Daycare	36,959		75,978	
First Ward Child Development Center	58,573		58,052	
Fran, Inc.	36,301		65,461	
Hope Haven, Inc.	175,000			
Kiddie Farms Child Development Center	92,194		136,729	
Lakewood Preschool Cooperative	123,248		59,732	
Little Learners Child Development Center	35,734		80,171	
Lollipop Day Care	35,450		78,798	
Marizetta Kerry Child Development Center	89,340		28,543	
Mecklenburg County Area Mental Health	* 399,135	(12,096)		
Mecklenburg County Health Department	* 989,567	(55)	85,000	
Mecklenburg Safe Communities/Carolinas Medical Center	35,776	(469)		
Mi Casa Su Casa	33,550	(153)		
Mrs. Chris Play and Learn	40,838		73,006	
Park Road Baptist Child Development Center	40,838		74,522	
Pee Wee's Little People, Inc.	79,182		140,883	
Prayer and Deliverance Ministries	31,862		81,390	
Ramsey Peele Corporation	81,393		150,572	
Seigle Avenue Preschool Cooperative	38,804		65,112	
Smart Start Early Childhood Learning and Development Center	59,326		53,273	
St. Paul Baptist Child Development Center	36,301		64,136	
Sunshine Day Care and Preschool	77,255		134,555	
The Court Clubhouse	30,000			
The Early Learning Center	52,797		65,221	
The Public Library of Charlotte and Mecklenburg County	* 62,856			
The Secret Garden	40,838		73,488	
The Sunshine House	81,110		146,529	
Third Presbyterian Church	44,000			
Thompson's Child Development Center	550,850			
Various Childcare Providers			2,158	
YWCA	* 164,066	(48)	144,790	
	<u>6,442,852</u>	<u>(16,942)</u>	<u>3,687,485</u>	
Paid to Individuals:				
Education Advising and Bonus Program	239,500			
	<u>\$ 6,682,352</u>	<u>\$ (16,942)</u>	<u>\$ 3,687,485</u>	<u>\$ 0</u>

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

***Mecklenburg Partnership for Children
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2004***

Schedule 2

Organization Name	DHHS Contracts
Mecklenburg County Department of Social Services	* \$ <u>9,584,390</u>

* 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 the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards.

**Mecklenburg County Partnership for Children
Schedule of State Awards - Modified Cash Basis
For the Year Ended June 30, 2004**

Schedule 3

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
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)		\$ (183,688)	\$ 0
Early Childhood Initiatives Program (Current Year)	*	7,826,570	7,775,975
Multi-County Accounting and Contracting Grant	N/A	12,000	8,702
North Carolina Department of Health and Human Services			
More at Four Pre-Kindergarten Program	*	2090003695	3,020,201
		<u>3,020,201</u>	<u>3,020,201</u>
Total State Awards		<u>\$ 10,675,083</u>	<u>\$ 10,804,878</u>

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

Note: The More at Four Pre-Kindergarten Program is contracted jointly by the North Carolina Department of Health and Human Services and the Office of the Governor. The allocations for the More at Four program are included in the budget for the North Carolina Department of Health and Human Services; therefore, the above schedule identifies that agency as the State Grantor. The Office of the Governor is responsible for oversight of the More at Four Program.

Mecklenburg Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2004

Schedule 4

Furniture and Noncomputer Equipment	\$ 56,724
Computer Equipment/Printers	<u>68,795</u>
Total Property and Equipment	<u><u>\$ 125,519</u></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. The valuations represent historical cost. On the modified basis of accounting, these items are expensed in the year of purchase.

**Mecklenburg Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2004**

Schedule 5

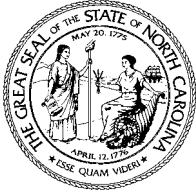
Match Provided at the Partnership Level:

Cash	\$	2,000
In-Kind Goods and Services		6,838
		<hr/>
	\$	8,838
		<hr/> <hr/>

Match Provided at the Contractor Level:

Cash	\$	2,451,538
In-Kind Goods and Services		658,598
		<hr/>
	\$	3,110,136
		<hr/> <hr/>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2003-284, Section 10.38(c). The North Carolina Partnership for Children, Inc. and all local partnerships are required to match the total amount budgeted for the Smart Start Program in each fiscal year. The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

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**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Mecklenburg Partnership for Children
Charlotte, North Carolina

We have audited the financial statements of the Mecklenburg Partnership for Children (Mecklenburg Partnership) as of and for the year ended June 30, 2004, and have issued our report thereon dated July 28, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mecklenburg 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 an opinion 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mecklenburg Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the audit committee, management of the Mecklenburg 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.

Leslie W. Merritt, Jr.

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

July 28, 2005

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

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Director, Fiscal Research Division

August 31, 2005

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