



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF

**IREDELL COUNTY PARTNERSHIP FOR
YOUNG CHILDREN, INC.**

STATESVILLE, 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
IREDELL COUNTY PARTNERSHIP FOR YOUNG CHILDREN, INC.**

STATESVILLE, NORTH CAROLINA

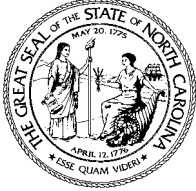
FOR THE YEAR ENDED JUNE 30, 2004

BOARD OF DIRECTORS

THOMAS WILSON, BOARD CHAIRMAN

ADMINISTRATIVE OFFICER

VIVIAN P. HAMILTON, 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, Iredell County Partnership For Young Children, Inc.

This report presents the results of our financial statement audit of the Iredell County Partnership For Young Children, Inc. (Iredell 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 Iredell 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 Iredell 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 Iredell Partnership is one of these local partnerships. As such, the Iredell 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 Iredell 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
Iredell County Partnership For Young Children, Inc.
Statesville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Iredell County Partnership For Young Children, Inc. (Iredell 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 Iredell 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 Iredell County Partnership For Young Children, Inc., 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 22, 2005, on our consideration of the Iredell 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 on

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 Iredell County Partnership For Young Children, Inc.'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 22, 2005

Iredell County Partnership for Young Children, Inc.
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 \$17,101)	\$ 1,796,693	\$ 503,616	\$ 0	\$ 2,300,309
Federal Awards		127,555		127,555
Private Contributions		33,243	3,350	36,593
Interest and Investment Earnings		2,352		2,352
Sales Tax Refunds		3,568		3,568
Other Receipts		21,209	1,842	23,051
Total Receipts	1,796,693	691,543	5,192	2,493,428
Net Assets Released from Restrictions: Satisfaction of Program Restrictions		33,139	(33,139)	
	1,796,693	724,682	(27,947)	2,493,428
Expenditures:				
Programs:				
Child Care and Education Affordability	102,026	24		102,050
Child Care and Education Quality	851,204	149,518		1,000,722
Family Support	306,779	28,776		335,555
Health and Safety	298,703	22,412		321,115
More at Four		479,543		479,543
Support:				
Fund Raising		16,581		16,581
Management and General	204,359	23,885		228,244
Program Coordination	17,099			17,099
Program Evaluation	5,298			5,298
Other:				
Refund of Prior Year Grant		1,410		1,410
Sales Tax Paid		4,535		4,535
Total Expenditures	1,785,468	726,684		2,512,152
Excess of Receipts Over Expenditures	11,225	(2,002)	(27,947)	(18,724)
Net Assets at Beginning of Year Restatement (Note 10)	15,654	37,042	45,618	98,314
		(10,564)	10,564	
Net Assets at Beginning of Year after Restatement	15,654	26,478	56,182	98,314
Net Assets at End of Year	\$ 26,879	\$ 24,476	\$ 28,235	\$ 79,590
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 26,319	\$ 27,816	\$ 28,235	\$ 82,370
Refunds Due From Contractors	2,459			2,459
	28,778	27,816	28,235	84,829
Less: Funds Held for Others	1,899	3,340		5,239
	\$ 26,879	\$ 24,476	\$ 28,235	\$ 79,590

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

***Iredell County Partnership for Young Children, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2004***

Exhibit B

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/ Contracts/ Grants</u>	<u>Participant Training Expenditures</u>
Smart Start Fund:									
Programs:									
Child Care and Education Affordability	\$ 102,026	\$ 62,370	\$ 3,310	\$ 1,789	\$ 7,823	\$ 26,047	\$ 687	\$ 0	\$ 0
Child Care and Education Quality	851,204	391,281	18,391	10,912	42,018	61,883	3,123	323,596	
Family Support	306,779	188,801	1,863	9,626	17,423	25,764	3,334	59,968	
Health and Safety	298,703	137,168	1,305	3,316	8,314	11,857	1,489	135,254	
	<u>1,558,712</u>	<u>779,620</u>	<u>24,869</u>	<u>25,643</u>	<u>75,578</u>	<u>125,551</u>	<u>8,633</u>	<u>518,818</u>	
Support:									
Management and General	204,359	125,997	13,004	8,799	17,032	36,784	2,743		
Program Coordination	17,099	17,099							
Program Evaluation	5,298	5,298							
	<u>226,756</u>	<u>148,394</u>	<u>13,004</u>	<u>8,799</u>	<u>17,032</u>	<u>36,784</u>	<u>2,743</u>		
Total Smart Start Fund Expenditures	<u>\$ 1,785,468</u>	<u>\$ 928,014</u>	<u>\$ 37,873</u>	<u>\$ 34,442</u>	<u>\$ 92,610</u>	<u>\$ 162,335</u>	<u>\$ 11,376</u>	<u>\$ 518,818</u>	<u>\$ 0</u>
Other Funds:									
Programs:									
Child Care and Education Affordability	\$ 24	\$ 0	\$ 0	\$ 24	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Child Care and Education Quality	149,518	31,984	2,552	9,450	8,686	748	80	96,018	
Family Support	28,776	22,594	489	4,429	684		580		
Health and Safety	22,412	5,443	3,303	2,520	4,770	15		6,361	
More at Four	479,543	2,993	976	814	4,180	869		469,711	
	<u>680,273</u>	<u>63,014</u>	<u>7,320</u>	<u>17,237</u>	<u>18,320</u>	<u>1,632</u>	<u>660</u>	<u>572,090</u>	
Support:									
Fund Raising	16,581		14,590	85	1,399	507			
Management and General	23,885	9,810	11,660	102	2,313				
	<u>40,466</u>	<u>9,810</u>	<u>26,250</u>	<u>187</u>	<u>3,712</u>	<u>507</u>			
Other:									
Refund of Prior Year Grant	1,410					1,410			
Sales Tax Paid	4,535			4,535					
	<u>5,945</u>			<u>4,535</u>		<u>1,410</u>			
Total Other Funds Expenditures	<u>\$ 726,684</u>	<u>\$ 72,824</u>	<u>\$ 33,570</u>	<u>\$ 21,959</u>	<u>\$ 22,032</u>	<u>\$ 3,549</u>	<u>\$ 660</u>	<u>\$ 572,090</u>	<u>\$ 0</u>

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

IREDELL COUNTY PARTNERSHIP FOR YOUNG CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Iredell County Partnership For Young Children, Inc. (Iredell Partnership), is a legally separate nonprofit organization incorporated on May 16, 1996. The Iredell Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Iredell 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 Iredell 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 Iredell 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.

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Iredell Partnership acts in an agency capacity. For the year ended, the Iredell Partnership was holding amounts withheld from employee paychecks for future distribution to employees in accordance with the Partnership's flexible benefit plan.
- G. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Iredell Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Iredell 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.
- H. 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.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Iredell Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

NOTE 2 - DEPOSITS

All funds of the Iredell Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. Deposits over this amount subjects the Iredell Partnership to a concentration of credit risk. At June 30, 2004, the Iredell Partnership's bank deposits in excess of the FDIC insured limit was \$97,173.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Iredell 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 Iredell 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 Iredell Partnership was awarded and has received \$1,813,793 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Iredell Partnership has returned \$28,878 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2004.

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

More at Four - The Iredell Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Iredell Partnership was awarded \$575,648 and received \$482,944 under a current year

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

cost-reimbursement contract. The Iredell Partnership expects to receive continued funding through new More at Four contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

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, learning materials and teaching aids, kindergarten orientation/transition, and health insurance benefits for child care providers.

Family Support - Used to account for service activities including parenting skills training, ongoing parenting education, general family support, and community outreach information and resources.

Health and Safety - Used to account for service activities including comprehensive screenings, child abuse and neglect intervention, special needs – early intervention services/special education, and transportation to health services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

More at Four – Used to account for development and implementation of More at Four prekindergarten programs 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

Fund Raising - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

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.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits – Direct allocation based on employee time reports.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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	\$ 152,512
2006	153,291
2007	146,862
2008	95,975
2009	<u>8,116</u>
Total Minimum Lease Payments	<u>\$ 556,756</u>

Rental expense for all operating leases during the year was \$152,678.

NOTE 7 - PENSION PLAN

IRC Section 403(b) Plan - Each employee of the Iredell Partnership is provided, as part of the benefit package, an additional 6% of his/her salary to be applied to a retirement plan. The Partnership has no liability for any other cost than the required percentage. All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Partnership contributed \$42,029 for retirement benefits during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 8 - RISK MANAGEMENT

The Iredell 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 Iredell 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 Iredell 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 Iredell 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 statements. The compensated absences commitment for vacation leave at June 30, 2004, is \$24,657. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTATEMENT OF NET ASSETS

The Iredell Partnership received donor-restricted funds for various activities during past fiscal years. These funds were incorrectly classified as unrestricted private contributions at the time of receipt. As a result, a reclassification of the net assets is required for proper financial presentation for both the Unrestricted Other and the Temporarily Restricted Funds and is presented as follows:

	<u>Net Assets Previously Reported</u>	<u>Net Effect of Prior Year Reclassifications</u>	<u>July 1, 2003 Net Assets Restated</u>
Unrestricted Funds - Smart Start	\$ 15,654	\$ 0	\$ 15,654
Unrestricted Funds - Other	37,042	(10,564)	26,478
Temporarily Restricted Funds	45,618	10,564	56,182
Total Net Assets	<u>\$ 98,314</u>	<u>\$ 0</u>	<u>\$ 98,314</u>

***Iredell County Partnership for Young Children, Inc.
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
Agape Christian Academy	\$ 0	\$ 0	\$ 58,455	\$ 0
Alexander County Partnership for Children			6,375	
American Child, Incorporated	18,070			
American Renaissance Charter School			61,242	
Ashe County Partnership for Children			21,686	
Barium Springs Home for Children	*		137,994	
Carolina Psych Group	61,012	(1,042)		
Central Child Development Center	10,920			
Children's Council of Watauga County			41,362	
I-Care, Incorporated	30,680			
Iredell County Health Department	* 132,060	(1,417)		
J-Bear Child Development Center	32,760			
Lifespan Circle School			34,946	
Mitchell Community College	* 1,153			
Mooreville Graded School District			60,223	
Statesville Christian Academy			48,440	
Triplett United Methodist Church Child Development Center	15,860			
Tutor Time Childcare/Learning Center	*		62,280	
Various Day Care Providers	146,490		12,492	
Wee Lads and Lassies Child Development Center	11,440			
Wilkes Community Partnership for Children			26,595	
	<u>460,445</u>	<u>(2,459)</u>	<u>572,090</u>	
<i>Paid to Individuals:</i>				
Ladders to Success	31,250			
Scholarships/Bonus Awards	29,582			
	<u>60,832</u>			
	<u>\$ 521,277</u>	<u>\$ (2,459)</u>	<u>\$ 572,090</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.

***Iredell County Partnership for Young Children, Inc.
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2004***

Schedule 2

Organization Name	DHHS Contracts
Iredell County Department of Social Services	* \$ <u>689,398</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.

Iredell County Partnership for Young Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2004

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
U.S. Department of Health and Human Services				
Pass-through from the North Carolina Department of				
Health and Human Services - Division of Child Development				
Child Care Development Fund	93.575	6000	\$ 12,308	\$ 7,681
Child Care Development Fund	93.575	6226	<u>115,247</u>	<u>121,398</u>
Total Federal Awards			<u>127,555</u>	<u>129,079</u>
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)			(17,101)	
Early Childhood Initiatives Program (Current Year)	*	6025	1,813,793	1,785,468
Multi-County Accounting and Contracting Grant			12,000	12,000
North Carolina Department of Public Instruction				
NC Children's Trust Fund		EP4088397	8,673	14,444
North Carolina Department of Health and Human Services				
More at Four Pre-Kindergarten Program	*	N/A	<u>482,944</u>	<u>479,356</u>
Total State Awards			<u>2,300,309</u>	<u>2,291,268</u>
Total Federal and State Awards			<u>\$ 2,427,864</u>	<u>\$ 2,420,347</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.

Iredell County Partnership for Young Children, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2004

Schedule 4

Furniture and Noncomputer Equipment	\$	81,937
Computer Equipment/Printers		50,853
Leasehold Improvements		396,893
Motor Vehicles		5,000
		<hr/>
Total Property and Equipment	\$	<u>534,683</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.

***Iredell County Partnership for Young Children, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2004***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	67,283
In-Kind Goods and Services		<u>90,914</u>
	\$	<u><u>158,197</u></u>

Match Provided at the Contractor Level:

Cash	\$	426,430
In-Kind Goods and Services		<u>53,665</u>
	\$	<u><u>480,095</u></u>

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
Iredell County Partnership For Young Children, Inc.
Statesville, North Carolina

We have audited the financial statements of the Iredell County Partnership For Young Children, Inc. (Iredell Partnership), as of and for the year ended June 30, 2004, and have issued our report thereon dated July 22, 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 Iredell 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 Iredell 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

**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)**

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*.

This report is intended solely for the information and use of the audit committee, management of the Iredell 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 22, 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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Mr. Robert L. Powell	State Controller
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	The North Carolina Partnership for Children, Inc.
	Executive Director
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Ms. Karen Ponder	

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September 2, 2005

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