



STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT OF CASWELL COUNTY PARTNERSHIP FOR CHILDREN

YANCEYVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

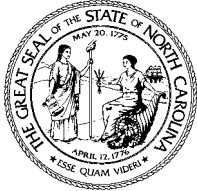
FINANCIAL STATEMENT AUDIT REPORT OF
CASWELL COUNTY PARTNERSHIP FOR CHILDREN
YANCEYVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2004

BOARD OF DIRECTORS

PATRICIA WARREN, BOARD CHAIR

ADMINISTRATIVE OFFICER

SANDRA HUDSPETH, 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, Caswell County Partnership for Children

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

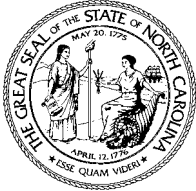
North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Leslie W. Merritt, Jr.

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Caswell County Partnership for Children
Yanceyville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Caswell County Partnership for Children (Caswell 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 Caswell 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 Caswell County 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 March 1, 2005, on our consideration of the Caswell 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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

of that testing, and not to provide an opinion on the internal control over financial reporting or 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 Caswell County 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., CPA, CFP
State Auditor

March 1, 2005

Caswell County Partnership for Children

*Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2004*

Exhibit A

| | Unrestricted Funds | | Total Funds |
|---------------------------------------------------------|---------------------|-----------------|------------------|
| | Smart Start Fund | Other Funds | |
| Receipts: | | | |
| State Awards (less refunds of \$34,378) | \$ 282,869 | \$ 62,308 | \$ 345,177 |
| Federal Awards | | 55,954 | 55,954 |
| Local Awards | | 2,500 | 2,500 |
| Private Contributions | | 10,400 | 10,400 |
| Interest and Investment Earnings | | 87 | 87 |
| Sales Tax Refunds | | 1,375 | 1,375 |
| Other Receipts | | 591 | 591 |
| Total Receipts | <u>282,869</u> | <u>133,215</u> | <u>416,084</u> |
| Expenditures: | | | |
| Programs: | | | |
| Adolescent Pregnancy Prevention | | 60,080 | 60,080 |
| Child Care and Education Accessibility and Availability | 19,625 | 75 | 19,700 |
| Child Care and Education Quality | 131,846 | 9,046 | 140,892 |
| Family Support | 12,614 | | 12,614 |
| Support Our Students | | 63,078 | 63,078 |
| Support: | | | |
| Management and General | 102,975 | 13,155 | 116,130 |
| Program Coordination | 9,046 | | 9,046 |
| Program Evaluation | 15,900 | | 15,900 |
| Other: | | | |
| Sales Tax Paid | | 1,510 | 1,510 |
| Total Expenditures | <u>292,006</u> | <u>146,944</u> | <u>438,950</u> |
| Excess of Receipts Over Expenditures | (9,137) | (13,729) | (22,866) |
| Net Assets at Beginning of Year | <u>16,317</u> | <u>18,680</u> | <u>34,997</u> |
| Net Assets at End of Year | <u>\$ 7,180</u> | <u>\$ 4,951</u> | <u>\$ 12,131</u> |
| Net Assets Consisted of: | | | |
| Cash and Cash Equivalents | \$ 5,753 | \$ 4,951 | \$ 10,704 |
| Refunds Due From Contractors | 1,427 | | 1,427 |
| | <u>\$ 7,180</u> | <u>\$ 4,951</u> | <u>\$ 12,131</u> |

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

Caswell County 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 Accessibility and Availability | \$ 19,625 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 19,625 | \$ 0 |
| Child Care and Education Quality | 131,846 | | | 7,318 | 1,838 | 195 | 3,775 | 118,720 | |
| Family Support | 12,614 | | | 385 | 1,954 | | | 10,275 | |
| | <u>164,085</u> | | | <u>7,703</u> | <u>3,792</u> | <u>195</u> | <u>3,775</u> | <u>148,620</u> | |
| Support: | | | | | | | | | |
| Management and General | 102,975 | 52,678 | 4,022 | 5,184 | 23,393 | 16,285 | 1,413 | | |
| Program Coordination | 9,046 | 9,046 | | | | | | | |
| Program Evaluation | 15,900 | | | | | | | 15,900 | |
| | <u>127,921</u> | <u>61,724</u> | <u>4,022</u> | <u>5,184</u> | <u>23,393</u> | <u>16,285</u> | <u>1,413</u> | <u>15,900</u> | |
| Total Smart Start Fund Expenditures | <u>\$ 292,006</u> | <u>\$ 61,724</u> | <u>\$ 4,022</u> | <u>\$ 12,887</u> | <u>\$ 27,185</u> | <u>\$ 16,480</u> | <u>\$ 5,188</u> | <u>\$ 164,520</u> | <u>\$ 0</u> |
| Other Funds: | | | | | | | | | |
| Programs: | | | | | | | | | |
| Adolescent Pregnancy Prevention | \$ 60,080 | \$ 6,392 | \$ 0 | \$ 1,870 | \$ 3,719 | \$ 750 | \$ 0 | \$ 42,615 | \$ 4,734 |
| Child Care and Education Accessibility and Availability | 75 | | | | | | | 75 | |
| Child Care and Education Quality | 9,046 | | | 2,090 | 1,427 | 200 | 560 | 4,185 | 584 |
| Support Our Students | 63,078 | 7,122 | | 257 | 2,694 | 825 | | 47,928 | 4,252 |
| | <u>132,279</u> | <u>13,514</u> | | <u>4,217</u> | <u>7,840</u> | <u>1,775</u> | <u>560</u> | <u>94,803</u> | <u>9,570</u> |
| Support: | | | | | | | | | |
| Management and General | 13,155 | 3,230 | 9,523 | 222 | 180 | | | | |
| Other: | | | | | | | | | |
| Sales Tax Paid | 1,510 | | | 1,510 | | | | | |
| Total Other Funds Expenditures | <u>\$ 146,944</u> | <u>\$ 16,744</u> | <u>\$ 9,523</u> | <u>\$ 5,949</u> | <u>\$ 8,020</u> | <u>\$ 1,775</u> | <u>\$ 560</u> | <u>\$ 94,803</u> | <u>\$ 9,570</u> |

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Caswell County Partnership for Children (Caswell Partnership) is a legally separate nonprofit organization incorporated on March 26, 1998. The Caswell Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Caswell 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 Caswell 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.

The Caswell Partnership did not have any temporarily or 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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, Caswell Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Caswell 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.
- H. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Caswell Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint 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 Caswell Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Caswell Partnership to a concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Caswell 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 Caswell 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 Caswell Partnership was awarded and has received \$299,314 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Caswell Partnership has returned \$7,180 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2004.

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

Adolescent Pregnancy Prevention Program - The Caswell Partnership's also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Adolescent Pregnancy Prevention Program (APP). The Caswell Partnership was awarded \$74,665 and has received \$57,733 under a current year APP contract with DHHS. The unexpended balance of this contract is subject to reversion to the State. The Caswell Partnership expects to receive continued funding through new APP Program contracts with the State.

Support Our Students Program (SOS) - The Caswell Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with North Carolina Department of Juvenile Justice and Delinquency Prevention (DJJDP) for the Support Our Students Program. The Caswell Partnership was awarded \$70,000 and received \$59,301 under a current year SOS contract with DJJDP. The unexpended balance of this contract is subject to reversion to the State. The Caswell Partnership has returned \$10,699 of this contract to the State based on a final report submitted

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

to DJJDP subsequent to June 30, 2004. The Caswell Partnership expects to receive continued funding through new SOS Program contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Caswell Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Caswell Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Caswell 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 Caswell 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

Adolescent Pregnancy Prevention – Designed to reduce teen pregnancies. The Teen Outreach Program is a nationally recognized best practices model that integrates community service, youth development activities, and an abstinence-based classroom. The Can We Talk? Parenting program supports families in communicating their values about self-esteem, peer pressure, puberty, and teen pregnancy prevention to their children.

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

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, professional development, or special needs – support for child care professionals.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Family Support - Used to account for service activities associated with community outreach information and resources.

Support Our Students – Used as a community based after-school initiative that provides academic assistance, support and guidance to young people involving them in constructive activities to keep them focused and out of trouble. The purpose of the program is to reduce juvenile crime, reduce the number of children who are unsupervised after school, improve the academic performance of children participating in the program, and meet the physical, emotional, and social needs of the children.

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.

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 indirectly 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 | \$ 1,668 |
| 2006 | 2,224 |
| 2007 | <u>556</u> |
| Total Minimum Lease Payments | <u>\$ 4,448</u> |

Rental expense for all operating leases during the year was \$12,982.

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 403(b) Plan - All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the Caswell Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The Caswell Partnership contributed 4% 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 Caswell Partnership contributed \$1,584 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Caswell 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 Caswell Partnership manages these various risks of loss as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

| <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 Caswell 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 Caswell 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 \$5,191. No funds or reservation of net assets has been made for this commitment.

Caswell County 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 |
| Caswell County Division of Transportation | \$ 0 | \$ 0 | \$ 26,363 | \$ 0 |
| Children's Developmental Services | * 68,810 | (1,427) | | |
| Piedmont Community College | * 2,032 | | | |
| Research, Evaluation, and Development Connections | 15,900 | | | |
| Various Day Care Providers | 20,225 | | 4,260 | |
| | <u>106,967</u> | <u>(1,427)</u> | <u>30,623</u> | <u>0</u> |
| Individuals for the purpose of: | | | | |
| Adolescent Pregnancy Prevention | | | 30,505 | |
| Child Care Resource and Referral | 11,313 | | | |
| Community Awareness | 9,675 | | | |
| Education and Training Bonus | 37,992 | | | |
| Support Our Students | | | 33,675 | |
| | <u>58,980</u> | | <u>64,180</u> | |
| | <u>\$ 165,947</u> | <u>\$ (1,427)</u> | <u>\$ 94,803</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.

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

Schedule 2

| Organization Name | DHHS Contracts |
|----------------------------------------------|---------------------------|
| Caswell County Department of Social Services | * \$ <u>134,930</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.

Caswell County Partnership for Children
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: | | | | |
| Administration for Children and Families-Department of Health and Human Services: | | | | |
| Pass-through from the North Carolina Department of Health and Human Services-Division of Public Health | | | | |
| Adolescent Pregnancy Prevention Program | 93.558 | * 00395-04 | \$ 55,954 | \$ 57,735 |
| 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) | | N/A | (16,445) | (128) |
| Early Childhood Initiatives Program (Current Year) | | * | 299,314 | 292,134 |
| Multi-County Accounting and Contracting Grant (Prior Year) | | N/A | (678) | |
| Multi-County Accounting and Contracting Grant (Current Year) | | N/A | 12,000 | 12,000 |
| North Carolina Department of Health and Human Services | | | | |
| Division of Public Health | | | | |
| Adolescent Pregnancy Prevention Program | | 00395-03 | 8,940 | 2,345 |
| North Carolina Department of Juvenile Justice and Delinquency Prevention: | | | | |
| Support Our Students (Prior Year) | | N/A | (17,255) | (2) |
| Support Our Students (Current Year) | | * W0017-05 | 59,301 | 59,301 |
| Total State Awards | | | <u>345,177</u> | <u>365,650</u> |
| Total Federal and State Awards | | | <u>\$ 401,131</u> | <u>\$ 423,385</u> |

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

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

Schedule 4

| | |
|-------------------------------------|-------------------------|
| Furniture and Noncomputer Equipment | \$ 7,765 |
| Computer Equipment/Printers | <u>10,916</u> |
| Total Property and Equipment | <u><u>\$ 18,681</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.

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

Schedule 5

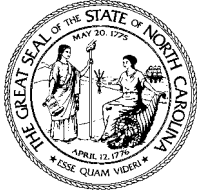
Match Provided at the Partnership Level:

| | | |
|----------------------------|----|----------------------|
| Cash | \$ | 10,215 |
| In-Kind Goods and Services | | <u>11,535</u> |
| | \$ | <u><u>21,750</u></u> |

Match Provided at the Contractor Level:

| | | |
|----------------------------|----|----------------------|
| Cash | \$ | 33,847 |
| In-Kind Goods and Services | | <u>9,540</u> |
| | \$ | <u><u>43,387</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
Caswell County Partnership for Children
Yanceyville, North Carolina

We have audited the financial statements of the Caswell County Partnership for Children (Caswell Partnership) as of and for the year ended June 30, 2004, and have issued our report thereon dated March 1, 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 Caswell 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 Caswell 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
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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*.

We noted certain matters that we reported to management of the Caswell Partnership in a separate letter dated July 21, 2005.

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

March 1, 2005

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Lieutenant Governor of North Carolina
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Director, Fiscal Research Division

August 10, 2005

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