



# **STATE OF NORTH CAROLINA**

## **FINANCIAL STATEMENT AUDIT REPORT OF BRUNSWICK COUNTY PARTNERSHIP FOR CHILDREN, INC.**

**SHALLOTTE, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2005**

**OFFICE OF THE STATE AUDITOR**

**LESLIE W. MERRITT, JR., CPA, CFP**

**STATE AUDITOR**

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

**SHALLOTTE, NORTH CAROLINA**

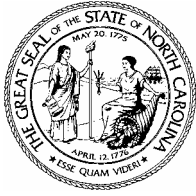
**FOR THE YEAR ENDED JUNE 30, 2005**

**BOARD OF DIRECTORS**

**ROBERT GOSSIN, BOARD CHAIRMAN**

**ADMINISTRATIVE OFFICER**

**LINDA L. GIRONDA, EXECUTIVE DIRECTOR**



STATE OF NORTH CAROLINA  
Office of the State Auditor

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**AUDITOR'S TRANSMITTAL**

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

This report presents the results of our financial statement audit of the Brunswick County Partnership for Children, Inc. (Brunswick Partnership) for the year ended June 30, 2005. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

The accounts and operations of the Brunswick 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 Brunswick 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 Brunswick Partnership is one of these local partnerships. As such, the Brunswick 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.

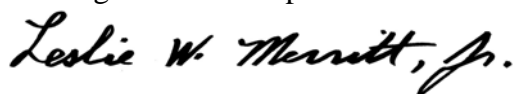
## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Brunswick 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.

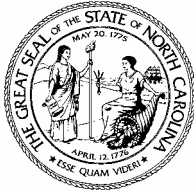


Leslie W. Merritt, Jr., CPA, CFP  
State Auditor

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STATE OF NORTH CAROLINA  
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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
Brunswick County Partnership for Children, Inc.  
Shallotte, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Brunswick County Partnership for Children, Inc. (Brunswick Partnership) as of June 30, 2005, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Brunswick 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 Brunswick County Partnership for Children, Inc. as of June 30, 2005, 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 May 24, 2006, on our consideration of the Brunswick 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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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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 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 Brunswick County Partnership for Children, Inc.'s basic financial statements. The information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1, 3, 4 and 5 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.

A handwritten signature in black ink that reads "Leslie W. Merritt, Jr." in a cursive script.

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

May 24, 2006

***Brunswick County Partnership for Children, Inc.***  
***Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis***  
***For the Year Ended June 30, 2005***

***Exhibit A***

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards (less refunds of \$14,437)	\$ 879,366	\$ 284,342	\$ 0	\$ 1,163,708
Federal Awards		37,697		37,697
Local Awards		8,353	1,647	10,000
Private Contributions		4,808	1,011	5,819
Special Fund Raising Events		6,528	17	6,545
Interest and Investment Earnings		1,386		1,386
Sales Tax Refunds		4,861		4,861
Other Receipts	1,105	8,005		9,110
<b>Total Receipts</b>	<b>880,471</b>	<b>355,980</b>	<b>2,675</b>	<b>1,239,126</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		625	(625)	
Expiration of Time Restrictions				
	<b>880,471</b>	<b>356,605</b>	<b>2,050</b>	<b>1,239,126</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Affordability	123,334			123,334
Child Care and Education Quality	323,278	41,988		365,266
Family Support	127,055	9,029		136,084
Health and Safety	40,753			40,753
More at Four	81,800	260,217		342,017
Support:				
Management and General	125,449	51,907		177,356
Program Evaluation	74,094			74,094
Other:				
Sales Tax Paid		4,938		4,938
<b>Total Expenditures</b>	<b>895,763</b>	<b>368,079</b>		<b>1,263,842</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(15,292)</b>	<b>(11,474)</b>	<b>2,050</b>	<b>(24,716)</b>
<b>Net Assets at Beginning of Year</b>	<b>24,875</b>	<b>34,040</b>	<b>13,367</b>	<b>72,282</b>
<b>Net Assets at End of Year</b>	<b>\$ 9,583</b>	<b>\$ 22,566</b>	<b>\$ 15,417</b>	<b>\$ 47,566</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 35,073	\$ 22,566	\$ 15,417	\$ 73,056
Refunds Due From Contractors	5,751			5,751
	<b>40,824</b>	<b>22,566</b>	<b>15,417</b>	<b>78,807</b>
Less: Due to the State	30,895			30,895
Funds Held for Others	346			346
	<b>\$ 9,583</b>	<b>\$ 22,566</b>	<b>\$ 15,417</b>	<b>\$ 47,566</b>

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



***Brunswick County Partnership for Children, Inc.***  
***Statement of Functional Expenditures - Modified Cash Basis***  
***For the Year Ended June 30, 2005***

***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
<b>Smart Start Fund:</b>									
<b>Programs:</b>									
Child Care and Education Affordability	\$ 123,334	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 123,334	\$ 0
Child Care and Education Quality	323,278	160,918		23,034	42,944	27,075	5,097	64,210	
Family Support	127,055							127,055	
Health and Safety	40,753							40,753	
More at Four	81,800							81,800	
	<u>696,220</u>	<u>160,918</u>		<u>23,034</u>	<u>42,944</u>	<u>27,075</u>	<u>5,097</u>	<u>437,152</u>	
<b>Support:</b>									
Management and General	125,449	111,003	7,217	114	4,286	2,829			
Program Evaluation	74,094	58,713		2,952	5,340	5,747	1,342		
	<u>199,543</u>	<u>169,716</u>	<u>7,217</u>	<u>3,066</u>	<u>9,626</u>	<u>8,576</u>	<u>1,342</u>		
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 895,763</u>	<u>\$ 330,634</u>	<u>\$ 7,217</u>	<u>\$ 26,100</u>	<u>\$ 52,570</u>	<u>\$ 35,651</u>	<u>\$ 6,439</u>	<u>\$ 437,152</u>	<u>\$</u>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 41,988	\$ 17,297	\$ 356	\$ 10,265	\$ 5,655	\$ 1,729	\$ 135	\$ 1,981	\$ 4,570
Family Support	9,029			5,316	2,975			738	
More at Four	260,217							260,217	
	<u>311,234</u>	<u>17,297</u>	<u>356</u>	<u>15,581</u>	<u>8,630</u>	<u>1,729</u>	<u>135</u>	<u>262,936</u>	<u>4,570</u>
<b>Support:</b>									
Management and General	51,907	16,942	7,136	2,643	12,799	12,342	45		
	<u>51,907</u>	<u>16,942</u>	<u>7,136</u>	<u>2,643</u>	<u>12,799</u>	<u>12,342</u>	<u>45</u>		
<b>Other:</b>									
Sales Tax Paid	4,938				4,938				
<b>Total Other Funds Expenditures</b>	<u>\$ 368,079</u>	<u>\$ 34,239</u>	<u>\$ 7,492</u>	<u>\$ 18,224</u>	<u>\$ 26,367</u>	<u>\$ 14,071</u>	<u>\$ 180</u>	<u>\$ 262,936</u>	<u>\$ 4,570</u>

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

**BRUNSWICK COUNTY PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** – The Brunswick County Partnership for Children, Inc. (Brunswick Partnership) is a legally separate nonprofit organization incorporated on August 1, 1994. The Brunswick Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Brunswick 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 Brunswick 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 Brunswick Partnership did not have any permanently restricted net assets at June 30, 2005.

**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)

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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. Amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. In addition, Smart Start funds advanced to the local Partnership that are unexpended and unearned at year end are recorded as a Due to the State.

- 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. Due to the State** – The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Funds Held For Others** – Funds held for others includes amounts received that are fiduciary in nature in which the Brunswick Partnership acts in an agency capacity. For the year ended, the Brunswick Partnership was holding amounts withheld from employee paychecks for retirement plan contributions.
- H. Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Brunswick Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Brunswick 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, 2005. Donated items are recorded at estimated fair market value at the date of donation.
- I. Compensated Absences** – As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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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.

- J. Use of Estimates** – The preparation of financial statements in conformity with the modified cash basis of accounting used by the Brunswick 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 Brunswick Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subject the Brunswick Partnership to a concentration of credit risk. At June 30, 2005, the Brunswick Partnership's bank deposits in excess of the FDIC insured limit was \$27,737.

### NOTE 3 - FUNDING FROM GRANT AWARDS

**Smart Start Program** – The Brunswick 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 Brunswick Partnership and represents a concentration of credit risk as to the generation of revenue.

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

The Brunswick Partnership was awarded \$931,085 under a current year Smart Start contract with NCPC and has received \$924,685 of this amount. The unexpended balance of this contract is subject to reversion to the State. The

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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Brunswick Partnership has returned \$28,883 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

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

**More at Four** – The Brunswick Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Brunswick Partnership was awarded and received \$272,356 under a current year contract. The Brunswick 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 Brunswick Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Brunswick Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Brunswick 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 Brunswick 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 associated with Preschool (0-4) classes.

**Child Care and Education Quality** – Used to account for service activities including quality enhancement grants for upgrades, quality enhancement grants for maintenance, child care resource and referral, professional development, or kindergarten orientation/transition.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**Family Support** – Used to account for service activities including ongoing parenting education, family crisis intervention, community outreach information and resources.

**Health and Safety** – Used to account for service activities including oral health services or comprehensive health services.

**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 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 estimates of utilization or 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, 2005:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2006	\$ 21,376
2007	14,802
2008	1,176
2009	882
Total Minimum Lease Payments	<u>\$ 38,236</u>

Rental expense for all operating leases during the year was \$21,975.

### 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 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. No costs were incurred by the Brunswick Partnership. The Brunswick Partnership contributed \$2,875 for retirement benefits during the year.

### NOTE 8 - RISK MANAGEMENT

The Brunswick 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 Brunswick 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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

- A. Compensated Absences** – As a result of the Brunswick 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, 2005, is \$6,267. No funds or reservation of net assets has been made for this commitment.
- B. Other Contingencies Resulting from Uncertainties** – The Brunswick Partnership is the defendant in a civil law suit. It is estimated the amount of liability will be less than \$20,000. However, because of uncertainty, the actual amount of liability cannot be determined.

### NOTE 10 - RESTRICTIONS ON NET ASSETS

- A. Temporarily Restricted Net Assets** – Temporarily restricted net assets at June 30, 2005 are available for the following purposes:

Purpose	Amount
Be An Angel	\$ 5,237
Books for Children – Cannon Grant	451
Brunswick County Grant 2003-2004	5,320
Brunswick County Grant 2004-2005	1,647
Celebrate Children	1,048
Childcare Provider Support & Training	17
Glaxo Grant	482
Marine Exhibit	164
Preschool Music Program	1,000
Training Program for Art	50
	<u>\$ 15,417</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

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- B. Net Assets Released From Donor Restrictions** – Net assets were released from donor restrictions during the fiscal year ended June 30, 2005, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Be An Angel	\$ 400
Brunswick County Grant	225
	<u>\$ 625</u>

***Brunswick County Partnership for Children, Inc.***  
***Schedule of Contract and Grant Expenditures - Modified Cash Basis***  
***For the Year Ended June 30, 2005***

***Schedule 1***

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Babies Learning Center	\$ 18,200	\$ 0	\$ 30,851	\$ 0
Brunswick Community College	* 37,710			
Brunswick County Health Department	* 40,753		1,931	
Brunswick County Schools	* 127,055		116,654	
Childcare Network #84	16,800		28,140	
Childcare Network #85	17,000		28,475	
Communities in Schools	127,077	(3,743)		
Rainbow VIP Learning Station	* 29,800		53,886	
Various Centers	2,008	(2,008)	2,211	
	416,403	(5,751)	262,148	
<b>Individuals:</b>				
Scholarships/Bonus Awards	26,500		788	
	26,500		788	
	\$ 442,903	\$ (5,751)	\$ 262,936	\$ 0

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

***Brunswick County Partnership for Children, Inc.  
Schedule of State Level Service Provider Contracts  
For the Year Ended June 30, 2005***

***Schedule 2***

Organization Name	DHHS Contracts
Brunswick County Department of Social Services	\$ 621,000
Child Care Services Association - WAGE\$ Program	104,454
	<u>\$ 725,454</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.

***Brunswick County Partnership for Children, Inc.***  
***Schedule of Federal and State Awards - Modified Cash Basis***  
***For the Year Ended June 30, 2005***

***Schedule 3***

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
<b>Federal Awards:</b>				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development Child Care Resource and Referral	93.575	6006-2	\$ 23,729	\$ 13,230
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development Pass-through from Southeastern Community College Child Care Resource and Referral	93.575	6006-2	13,968	15,000
<b>Total Federal Awards</b>			<u>37,697</u>	<u>28,230</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services Division of Child Development Pass-through from the North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program (Prior Year)	*	Various	(14,437)	(39)
Early Childhood Initiatives Program (Current Year)	*	N/A	893,789	895,802
Multi-County Accounting and Contracting Grant			12,000	12,000
North Carolina Department of Health and Human Services More at Four Pre-Kindergarten Program	*	209004323	272,356	260,167
<b>Total State Awards</b>			<u>1,163,708</u>	<u>1,167,930</u>
<b>Total Federal and State Awards</b>			<u>\$ 1,201,405</u>	<u>\$ 1,196,160</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.

***Brunswick County Partnership for Children, Inc.***  
***Schedule of Property and Equipment - Modified Cash Basis***  
***For the Year Ended June 30, 2005***

***Schedule 4***

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Buildings	\$	172,041
Computer Equipment/Printers		63,392
Furniture and Noncomputer Equipment		22,859
Leasehold Improvements		185,216
Motor Vehicles		<u>21,505</u>
 Total Property and Equipment	 \$	 <u><u>465,012</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.

***Brunswick County Partnership for Children, Inc.***  
***Schedule of Qualifying Match (Non-GAAP)***  
***For the Year Ended June 30, 2005***

***Schedule 5***

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

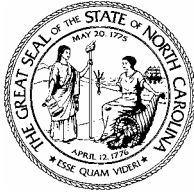
Cash	\$	10,024
In-Kind Goods and Services		<u>13,901</u>
	\$	<u><u>23,925</u></u>

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

Cash	\$	108,857
In-Kind Goods and Services		<u>129,743</u>
	\$	<u><u>238,600</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.

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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**

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Board of Directors  
Brunswick County Partnership for Children, Inc.  
Shallotte, North Carolina

We have audited the financial statements of the Brunswick County Partnership for Children, Inc. (Brunswick Partnership) as of and for the year ended June 30, 2005, and have issued our report thereon dated May 24, 2006. 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.

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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Brunswick 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 Brunswick Partnership's financial statements are free of material misstatement, we performed tests of its compliance



**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)**

---

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*.

This report is intended solely for the information and use of the audit committee, management of the Brunswick 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., CPA, CFP  
State Auditor

May 24, 2006

## **ORDERING INFORMATION**

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