



# STATE OF NORTH CAROLINA

## FINANCIAL STATEMENT AUDIT REPORT OF PARTNERS FOR CHILDREN AND FAMILIES, INC.

SOUTHERN PINES, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2002

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

**FINANCIAL STATEMENT AUDIT REPORT OF**

**PARTNERS FOR CHILDREN AND FAMILIES, INC.**

**SOUTHERN PINES, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**DONNA LYNN THOMPSON, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**TERRY REYNOLDS, EXECUTIVE DIRECTOR**



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
Office of the State Auditor

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet <http://www.osa.state.nc.us>

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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, Partners for Children and Families, Inc.

This report presents the results of our financial statement audit of the Partners for Children and Families, Inc. (Moore Partnership) for the year ended June 30, 2002. Our audit was made by authority of Article 5A of Chapter 147 of the General Statutes.

The accounts and operations of the Moore 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 Moore Partnership was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-.16. This statute created the North Carolina Partnership for Children, Inc. and required the implementation of local demonstration projects (local partnerships). The Moore Partnership is one of these local partnerships. As such, the Moore Partnership is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14(b) to have an annual financial and compliance audit conducted by 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** - Express an opinion on the accompanying financial statements and supplementary information.

**Results** – The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with the regulatory basis of accounting established by the North Carolina Partnership for Children, Inc. The accompanying supplementary information presents information that is fairly stated in all material respects in relation to the basic financial statements.

## AUDITOR'S TRANSMITTAL (CONCLUDED)

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2. **Objective** - Present instances of noncompliance, if any, with laws, regulations, contracts, or grants.

**Results** - Our tests disclosed no instances of noncompliance that require disclosure herein under *Government Auditing Standards*.

3. **Objective** - Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Moore Partnership's ability to record, process, summarize, and report financial data in the financial statements.

**Results** - Our tests disclosed no material weaknesses in the internal control over financial reporting which 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.



Ralph Campbell, Jr.  
State Auditor

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Ralph Campbell, Jr.  
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STATE OF NORTH CAROLINA  
**Office of the State Auditor**

2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet <http://www.osa.state.nc.us>

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**INDEPENDENT AUDITOR'S REPORT**

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Board of Directors  
Partners for Children and Families, Inc.  
Southern Pines, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Partners for Children and Families, Inc. (Moore Partnership) as of June 30, 2002, and the related Statement of Functional Expenditures – Regulatory Basis for the year then ended. These financial statements are the responsibility of the Moore 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 regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc., which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Partners for Children and Families, Inc. as of June 30, 2002, and the results of its operations for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2002 on our consideration of the Moore Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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Our audit was made for the purpose of forming an opinion on the basic financial statements of the Partners for Children and Families, Inc. taken as a whole. The accompanying supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be, and should not be, used by anyone other than these specified parties.



Ralph Campbell, Jr.  
State Auditor

October 25, 2002

**Partners for Children and Families, Inc.**  
**Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis**  
**For the Year Ended June 30, 2002**

**Exhibit A**

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
<b>Receipts:</b>				
State Awards (less refunds of \$24,231)	\$ 1,286,149	\$ 12,000	\$ 0	\$ 1,298,149
Federal Awards		52,693	1,682	54,375
Private Contributions		6,830	2,581	9,411
Sales Tax Refunds		2,342		2,342
<b>Total Receipts</b>	1,286,149	73,865	4,263	1,364,277
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		7,694	(7,694)	
	1,286,149	81,559	(3,431)	1,364,277
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	489,311			489,311
Child Care and Education Affordability	176,807			176,807
Health and Safety	238,828	59,226		298,054
Family Support	144,011	6,997		151,008
Support:				
Management and General	120,971	12,762		133,733
Program Evaluation	50,000			50,000
Program Coordination	33,842			33,842
Other:				
Sales Tax Paid		1,988		1,988
<b>Total Expenditures</b>	1,253,770	80,973		1,334,743
<b>Excess of Receipts Over Expenditures</b>	32,379	586	(3,431)	29,534
<b>Net Assets at Beginning of Year</b>	24,231	732	7,694	32,657
<b>Net Assets at End of Year</b>	\$ 56,610	\$ 1,318	\$ 4,263	\$ 62,191
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 37,534	\$ 1,318	\$ 5,263	\$ 44,115
Refunds Due From Contractors	20,134			20,134
	57,668	1,318	5,263	64,249
Less: Funds Held for Others	1,058		1,000	2,058
	\$ 56,610	\$ 1,318	\$ 4,263	\$ 62,191
The accompanying notes to the financial statements are an integral part of this statement.				

*Partners for Children and Families, Inc.*  
*Schedule of Functional Expenditures - Regulatory Basis*  
*For the Year Ended June 30, 2002*

*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 Quality	\$ 489,311							489,311	
Child Care and Education Affordability	\$ 176,807							176,807	
Health and Safety	\$ 238,828			2,269	4			236,555	
Family Support	\$ 144,011			3,636	4,400			135,975	
	\$ 1,048,957	\$ 0	\$ 0	\$ 5,905	\$ 4,404	\$ 0	\$ 0	\$ 1,038,648	\$ 0
<b>Support:</b>									
Management and General	\$ 120,971	78,493	9,935	5,886	10,418	14,600	1,639		
Program Evaluation	\$ 50,000							50,000	
Program Coordination	\$ 33,842	31,371		2,006	465				
	\$ 204,813	\$ 109,864	\$ 9,935	\$ 7,892	\$ 10,883	\$ 14,600	\$ 1,639	\$ 50,000	\$ 0
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 1,253,770</b>	<b>\$ 109,864</b>	<b>\$ 9,935</b>	<b>\$ 13,797</b>	<b>\$ 15,287</b>	<b>\$ 14,600</b>	<b>\$ 1,639</b>	<b>\$ 1,088,648</b>	<b>\$ 0</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Health and Safety	\$ 59,226			30	958			58,238	
Family Support	\$ 6,997		540	4,994	1,463				
	\$ 66,223	\$ 0	\$ 540	\$ 5,024	\$ 2,421	\$ 0	\$ 0	\$ 58,238	\$ 0
<b>Support:</b>									
Management and General	\$ 12,762	\$ 0	\$ 12,000	\$ 0	\$ 725	\$ 37	\$ 0	\$ 0	\$ 0
<b>Other:</b>									
Sales Tax Paid	\$ 1,988	\$ 0	\$ 0	\$ 1,988	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Other Funds Expenditures</b>	<b>\$ 80,973</b>	<b>\$ 0</b>	<b>\$ 12,540</b>	<b>\$ 7,012</b>	<b>\$ 3,146</b>	<b>\$ 37</b>	<b>\$ 0</b>	<b>\$ 58,238</b>	<b>\$ 0</b>

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

**PARTNERS FOR CHILDREN AND FAMILIES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Partners for Children and Families, Inc. (Moore Partnership) is a legally separate nonprofit organization incorporated on August 8, 1994. The Moore Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Moore 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 Moore 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 Moore Partnership did not have any permanently restricted net assets at June 30, 2002.

- C. Basis of Accounting** - The accompanying financial statements were prepared on the regulatory basis of accounting as prescribed by the North Carolina Partnership for Children, Inc. This basis differs from generally accepted accounting principles primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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However, unexpended advances to contractors that revert back to the State are recognized as a reduction to expenditures and an increase to net assets.

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Regulatory Basis and consists of cash on deposit with a private bank account.
- 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 Partnership acts in an agency capacity. For the year ended, the Moore Partnership was holding amounts withheld from employee paychecks for distribution to taxing authorities and holding an amount to be distributed to the Moore County Literacy Council.

### NOTE 2 - DEPOSITS

All funds of the Moore 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 Moore Partnership to a concentration of credit risk. At June 30, 2002, the Moore Partnership's bank deposits in excess of the FDIC insured limit was \$106,912.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Moore Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During the year, the Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by the Moore Partnership. These service provider contracts are not reflected on the accompanying

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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financial statements. However, a summary of the service provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Moore Partnership was awarded and has received \$1,310,380 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Partnership has returned \$54,843 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2002.

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

### NOTE 4 - RELATED PARTY TRANSACTIONS

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

### NOTE 5 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets – Regulatory Basis. Also, the Statement of Functional Expenditures – Regulatory Basis provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

#### A. Program Functions

**Child Care and Education Quality** - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, salary supplements, or provider training.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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**Child Care and Education Affordability** - Used to account for service activities including public pre-K classes or child care subsidies.

**Health and Safety** - Used to account for service activities including dental treatment, comprehensive screenings, child care health consultants/outreach nurses, comprehensive health support, special needs – early intervention services, special needs – specialized therapy, or transportation to health services.

**Family Support** - Used to account for service activities including parenting education and skills training, general family support, community leadership, literacy projects, information and resources, or orientation to kindergarten.

### **B. Support Functions**

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

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

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

### **NOTE 6 - PENSION PLAN**

**IRC Section 403(b) Plan** - Each employee of the Moore Partnership is provided, as part of a benefits package, an additional 15% of his/her salary that may be applied against all benefits including a retirement plan. All permanent employees who are at least half-time can participate in a tax sheltered annuity plan created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. All costs of administering and funding this plan are the responsibility of the plan. The Partnership contributed \$9,719 for retirement benefits during the year. There were no voluntary contributions by employees during the year ended June 30, 2001.

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

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**NOTE 7 - RESTRICTIONS ON NET ASSETS**

**A. Temporarily Restricted Net Assets** - Temporarily restricted net assets at June 30, 2002 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Health Consultant	\$ 18
Health Fair	2,581
Moore County Interagency Council	<u>1,664</u>
	<u>\$ 4,263</u>

**B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2002, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Fatherhood Summit	\$ 1,424
Health Consultant	5,824
Health Fair	<u>446</u>
	<u>\$ 7,694</u>

*Partners for Children and Families, Inc.*  
*Schedule of Contract and Grant Expenditures - Regulatory Basis*  
*For the Year Ended June 30, 2002*

*Schedule 1*

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Child Care Connections, Inc. of Moore County	*	499,850	(12,540)	
FirstHealth Dental Care Centers		22,140		
FirstHealth of the Carolinas	*	12,132	(687)	58,238
Moore County Health Department	*	31,000	(882)	
Moore County Literacy Council		6,000		
Moore County Schools	*	213,006	(1,433)	
NC Cooperative Extension Service	*	43,600	(2,313)	
Sandhills Center for Mental Health	*	27,261		
Sandhills Children's Center		70,208	(556)	
Sandhills Community College	*	130,531	(1,723)	
Various		3,054		
		<b>\$ 1,058,782</b>	<b>\$ (20,134)</b>	<b>\$ 58,238 \$ 0</b>
<b>Individuals:</b>				
Program Evaluation		<b>\$ 50,000</b>	<b>\$ 0</b>	<b>\$ 0 \$ 0</b>
		<b>\$ 1,108,782</b>	<b>\$ (20,134)</b>	<b>\$ 58,238 \$ 0</b>
* These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.				

**Partners for Children and Families, Inc.**  
**Schedule of State Level Service Provider Contracts**  
**For the Year Ended June 30, 2002**

**Schedule 2**

Organization Name	DHHS Contracts	NCPC Contracts	Total Contracts
Moore County Department of Social Services	\$ 428,871	\$ 0	\$ 428,871

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

**Partners for Children and Families, Inc.**

**Schedule of Federal and State Awards - Regulatory Basis**

**For the Year Ended June 30, 2002**

**Schedule 3**

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
<b>Federal Awards:</b>				
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 Child Development Pass-through from the University of North Carolina at Chapel Hill Child Care Health Consultation Services	93.575	#5-57308	\$ 8,319	\$ 12,479
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 Child Development Pass-through from the University of North Carolina at Chapel Hill Child Care Health Consultation Services	93.575	#5-57455	45,760	45,760
United States Department of Education Pass-through from the North Carolina Department of Health and Human Services - Division of Public Health Individuals with Disabilities, Infant and Toddler	84.181	N/A	296	278
<b>Total Federal Awards</b>			<u>54,375</u>	<u>58,517</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)		#1-01-4-11-001	(24,231)	(1,767)
Early Childhood Initiatives Program (Current Year)		* #1-12-4-11-001	1,310,380	1,255,537
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
<b>Total State Awards</b>			<u>1,298,149</u>	<u>1,265,770</u>
<b>Total Federal and State Awards</b>			<u>\$ 1,352,524</u>	<u>\$ 1,324,287</u>
* Programs with compliance requirements that have a direct and material effect on the financial statements.				

***Partners for Children and Families, Inc.***  
***Schedule of Property and Equipment***  
***For the Year Ended June 30, 2002***

***Schedule 4***

	Furniture and Non-Computer Equipment	\$	16,581
	Computer Equipment/Printers		19,186
	<b>Total Property and Equipment</b>	<b>\$</b>	<b>35,767</b>
	Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year end. On the regulatory basis of accounting, these items are expensed in the year of purchase.		

**Partners for Children and Families, Inc.**  
**Schedule of Qualifying Match (Non-GAAP)**  
**For the Year Ended June 30, 2002**

**Schedule 5**

**Match Provided at the Partnership Level:**

Cash	\$ 10,412
In-Kind Goods and Services	583
	<u>\$ 10,995</u>

**Match Provided at the Contractor Level:**

Cash	\$ 203,922
In-Kind Goods and Services	156,529
	<u>\$ 360,451</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 1999-237, Section 11.48(l). The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles.



Ralph Campbell, Jr.  
State Auditor

STATE OF NORTH CAROLINA  
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2 S. Salisbury Street  
20601 Mail Service Center  
Raleigh, NC 27699-0601  
Telephone: (919) 807-7500  
Fax: (919) 807-7647  
Internet <http://www.osa.state.nc.us>

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

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Board of Directors  
Partners for Children and Families, Inc.  
Southern Pines, North Carolina

We have audited the financial statements of the Partners for Children and Families, Inc. (Moore Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated October 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Moore Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Moore Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material

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

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in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management of the partnership, the North Carolina Partnership for Children, 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.



Ralph Campbell, Jr.  
State Auditor

October 25, 2002

## DISTRIBUTION OF AUDIT REPORT

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

### EXECUTIVE BRANCH

The Honorable Michael F. Easley	Governor of North Carolina
The Honorable Beverly M. Perdue	Lieutenant Governor of North Carolina
The Honorable Richard H. Moore	State Treasurer
The Honorable Roy A. Cooper, III	Attorney General
Mr. David T. McCoy	State Budget Officer
Mr. Robert L. Powell	State Controller
Ms. Carmen Hooker Odom	Secretary, Department of Health and Human Services
Mr. Ashley Thrift	Chairman, Board of Directors North Carolina Partnership for Children, Inc.
Ms. Karen Ponder	Executive Director North Carolina Partnership for Children, Inc.

### LEGISLATIVE BRANCH

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December 30, 2002

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