



# STATE OF NORTH CAROLINA

**FINANCIAL STATEMENT AUDIT REPORT OF**  
**MARTIN/PITT PARTNERSHIP FOR CHILDREN, INC.**  
**GREENVILLE, NORTH CAROLINA**  
**FOR THE YEAR ENDED JUNE 30, 2002**

**OFFICE OF THE STATE AUDITOR**

**RALPH CAMPBELL, JR.**

**STATE AUDITOR**

**FINANCIAL STATEMENT AUDIT REPORT OF  
MARTIN/PITT PARTNERSHIP FOR CHILDREN, INC.**

**GREENVILLE, NORTH CAROLINA**

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

**BOARD OF DIRECTORS**

**REVEREND JAMES R. HORTON, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**MARTA KOESLING, 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>

---

## AUDITOR'S TRANSMITTAL

---

The Honorable Michael F. Easley, Governor  
The General Assembly of North Carolina  
Board of Directors, Martin/Pitt Partnership for Children, Inc.

This report presents the results of our financial statement audit of the Martin/Pitt Partnership for Children, Inc. (Martin/Pitt 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 Martin/Pitt 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 Martin/Pitt 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 Martin/Pitt Partnership is one of these local partnerships. As such, the Martin/Pitt Partnership is a private nonprofit 501(c)(3) organization and is required by General Statute 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** – To 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)

---

2. **Objective** – To 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** – To Present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Martin/Pitt 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.

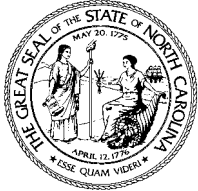


Ralph Campbell, Jr.  
State Auditor

# TABLE OF CONTENTS

---

	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
FINANCIAL STATEMENTS	
EXHIBITS	
A - Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis .....	3
B - Statement of Functional Expenditures - Regulatory Basis .....	4
Notes to the Financial Statements .....	5
SUPPLEMENTARY SCHEDULES	
1 Schedule of Contract and Grant Expenditures - Regulatory Basis.....	11
2 Schedule of State Level Service Provider Contracts.....	12
3 Schedule of State Awards - Regulatory Basis .....	13
4 Schedule of Property and Equipment .....	14
5 Schedule of Qualifying Match (Non-GAAP).....	15
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 <i>GOVERNMENT AUDITING</i> <i>STANDARDS</i> .....	17
DISTRIBUTION OF AUDIT REPORT .....	19



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>

---

**INDEPENDENT AUDITOR'S REPORT**

---

Board of Directors  
Martin/Pitt Partnership for Children, Inc.  
Greenville, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Regulatory Basis of the Martin/Pitt Partnership for Children, Inc. (Martin/Pitt 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 Martin/Pitt 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 Martin/Pitt Partnership for Children, 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 June 13, 2003 on our consideration of the Martin/Pitt 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)

---

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Martin/Pitt Partnership for Children, 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

June 13, 2003

**Martin/Pitt Partnership for Children, 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 \$131,748)	\$ 1,536,581	\$ 24,000	\$ 0	\$ 1,560,581
Private Contributions		8,648	1,000	9,648
Interest and Investment Earnings		1,114		1,114
Sales Tax Refunds		10,282		10,282
Other Receipts		17,243		17,243
<b>Total Receipts</b>	<b>1,536,581</b>	<b>61,287</b>	<b>1,000</b>	<b>1,598,868</b>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		6,675	(6,675)	
	<b>1,536,581</b>	<b>67,962</b>	<b>(5,675)</b>	<b>1,598,868</b>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Quality	843,852	13,586		857,438
Child Care and Education Accessibility and Availability	79,239	6,000		85,239
Child Care and Education Affordability	161,262			161,262
Health and Safety	144,336			144,336
Family Support	123,280			123,280
Support:				
Management and General	248,691	23,235		271,926
Program Evaluation	34,373	470		34,843
Program Coordination	14,041			14,041
Other:				
Sales Tax Paid		2,931		2,931
Refund of Prior Year Grant		6,675		6,675
<b>Total Expenditures</b>	<b>1,649,074</b>	<b>52,897</b>		<b>1,701,971</b>
<b>Excess of Receipts Over Expenditures</b>	<b>(112,493)</b>	<b>15,065</b>	<b>(5,675)</b>	<b>(103,103)</b>
<b>Net Assets at Beginning of Year</b>	<b>131,602</b>	<b>(8,271)</b>	<b>6,675</b>	<b>130,006</b>
<b>Net Assets at End of Year</b>	<b>\$ 19,109</b>	<b>\$ 6,794</b>	<b>\$ 1,000</b>	<b>\$ 26,903</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 6,781	\$ 6,794	\$ 1,000	\$ 14,575
Refunds Due From Contractors	12,328			12,328
	<b>\$ 19,109</b>	<b>\$ 6,794</b>	<b>\$ 1,000</b>	<b>\$ 26,903</b>
The accompanying notes to the financial statements are an integral part of this statement.				



**Martin/Pitt Partnership for Children, 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	\$ 843,852	285,965	999	30,263	32,699	73,442	1,249	419,235	
Child Care and Education Accessibility and Availability	\$ 79,239							79,239	
Child Care and Education Affordability	\$ 161,262							161,262	
Health and Safety	\$ 144,336							144,336	
Family Support	\$ 123,280	4,947	90	2,404	745	315		114,779	
	\$ 1,351,969	\$ 290,912	\$ 1,089	\$ 32,667	\$ 33,444	\$ 73,757	\$ 1,249	\$ 918,851	\$ 0
<b>Support:</b>									
Management and General	\$ 248,691	209,544	1,851	2,672	12,071	22,288	265		
Program Evaluation	\$ 34,373	30,836	96	110	990	2,341			
Program Coordination	\$ 14,041	10,641	21	1,399	1,531	449			
	\$ 297,105	\$ 251,021	\$ 1,968	\$ 4,181	\$ 14,592	\$ 25,078	\$ 265	\$ 0	\$ 0
<b>Total Smart Start Fund Expenditures</b>	<b>\$ 1,649,074</b>	<b>\$ 541,933</b>	<b>\$ 3,057</b>	<b>\$ 36,848</b>	<b>\$ 48,036</b>	<b>\$ 98,835</b>	<b>\$ 1,514</b>	<b>\$ 918,851</b>	<b>\$ 0</b>
<b>Other Funds:</b>									
<b>Programs:</b>									
Child Care and Education Quality	\$ 13,586		290	7,448	5,337	289	222		
Child Care and Education Accessibility and Availability	\$ 6,000							6,000	
	\$ 19,586	\$ 0	\$ 290	\$ 7,448	\$ 5,337	\$ 289	\$ 222	\$ 6,000	\$ 0
<b>Support:</b>									
Management and General	\$ 23,235	564	19,024	1,504	1,644	299	200		
Program Evaluation	\$ 470	470							
	\$ 23,705	\$ 1,034	\$ 19,024	\$ 1,504	\$ 1,644	\$ 299	\$ 200	\$ 0	\$ 0
<b>Other:</b>									
Sales Tax Paid	\$ 2,931			2,931					
Refund of Prior Year Grant	\$ 6,675					6,675			
	\$ 9,606	\$ 0	\$ 0	\$ 2,931	\$ 0	\$ 6,675	\$ 0	\$ 0	\$ 0
<b>Total Other Funds Expenditures</b>	<b>\$ 52,897</b>	<b>\$ 1,034</b>	<b>\$ 19,314</b>	<b>\$ 11,883</b>	<b>\$ 6,981</b>	<b>\$ 7,263</b>	<b>\$ 422</b>	<b>\$ 6,000</b>	<b>\$ 0</b>

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

**MARTIN/PITT PARTNERSHIP FOR CHILDREN, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2002**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Martin/Pitt Partnership for Children, Inc. (Martin/Pitt Partnership) is a legally separate nonprofit organization incorporated on November 5, 1997. The Martin/Pitt Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Martin/Pitt 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 Martin/Pitt 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 Martin/Pitt 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)

---

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 petty cash, cash on deposit with private bank accounts, and money market accounts.
- 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. Use of Estimates** - The financial statements include estimates and assumptions made by management for the allocation of joint costs. It is management's belief that these estimates are reasonable and fair.

### NOTE 2 - DEPOSITS

All funds of the Martin/Pitt 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 Martin/Pitt Partnership to a concentration of credit risk.

### NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Martin/Pitt 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 Martin/Pitt Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

provider contracts entered into by DHHS is presented on Schedule 2 accompanying the financial statements.

The Martin/Pitt Partnership was awarded and has received \$1,668,329 under current year Smart Start contracts with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Partnership has returned \$19,109 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 Martin/Pitt Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Martin/Pitt 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, or salary supplements.

**Child Care and Education Accessibility and Availability** - Used to account for service activities associated with inclusion support.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

**Child Care and Education Affordability** - Used to account for service activities including child care subsidy administration (DCD), public pre-K classes, or child care cost supports (DCD).

**Health and Safety** - Used to account for service activities including child care health consultants/outreach nurses or special needs – early intervention services.

**Family Support** - Used to account for service activities including ongoing parenting education, intensive home visiting, or outreach materials.

### 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.

### C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

**Salaries and Benefits** - Allocated based on employee time reports.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

---

### NOTE 6 - LEASE OBLIGATIONS

**Operating Lease Obligations** - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2002:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2003	\$ 104,620
2004	27,929
2005	11,171
2006	<u>2,136</u>
<b>Total Minimum Lease Payments</b>	<b><u>\$ 145,856</u></b>

Rental expense for all operating leases during the year was \$94,306.

### NOTE 7 - PENSION PLAN

**A. Retirement Plans** - The Martin/Pitt Partnership has a Simplified Employee Pension (SEP) plan covering all employees. Each full-time employee of the Martin/Pitt Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The contribution percentage is set by the Board and varies for each six-month period. The Martin/Pitt Partnership contributed 2% of gross wages for the six-month period of July 1, 2001 through December 31, 2001 and 8% of gross wages for the six-month period of January 1, 2002 through June 30, 2002. The Martin/Pitt Partnership does not own the accounts nor is liable for any other cost other than the required contribution.

For the year ended June 30, 2002, the Martin/Pitt Partnership contributed \$22,137 for pension benefits during the year.

**B. 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 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

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

---

of the Plan participants. No costs are incurred by the Martin/Pitt Partnership. The voluntary contributions by employees amounted to \$10,738 during the year ended June 30, 2002.

**NOTE 8 - RESTRICTIONS ON NET ASSETS**

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

Purpose	Amount
Self Help Grant	<u>\$ 1,000</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:

Purpose	Amount
Child Care Services Association – Flood Relief	<u>\$ 6,675</u>

*Martin/Pitt Partnership for Children, 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
East Carolina University	\$ 419,235	\$		
Family Support Network of Eastern North Carolina	16,008			
Martin County Schools	74,786			
Martin-Tyrell-Washington District Health Department	* 118,972			
Pitt County Health Department	* 76,670	(11,099)		
Pitt County Memorial Hospital	59,138	(574)		
Pitt County Public Schools	* 86,514	(38)		
United Cerebral Palsy of North Carolina	79,856	(617)	6,000	
	<b>\$ 931,179</b>	<b>\$ (12,328)</b>	<b>\$ 6,000</b>	<b>\$ 0</b>

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



***Martin/Pitt Partnership for Children, 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
Child Care Services Association - WAGES	245,374		<b>\$ 245,374</b>
Martin/Pitt Counties Departments of Social Services	744,448		<b>\$ 744,448</b>
	<b>\$ 989,822</b>	<b>\$ 0</b>	<b>\$ 989,822</b>
* 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) or the North Carolina Partnership for Children, Inc. (NCPC) as described in Note 3 - Funding from Grant Awards.			

***Martin/Pitt Partnership for Children, Inc.  
Schedule of State Awards - Regulatory Basis  
For the Year Ended June 30, 2002***

***Schedule 3***

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
<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	\$ (131,748)	\$ (145)
Early Childhood Initiatives Program (Current Year)	* 1-12-5-18-001	1,581,692	1,562,582
Early Childhood Initiatives Program (Encumbrance)	1-12-5-18-001E	86,637	86,637
Multi-County Accounting and Contracting Grant	N/A	24,000	22,860
<b>Total State Awards</b>		<b>\$ 1,560,581</b>	<b>\$ 1,671,934</b>
* Programs with compliance requirements that have a direct and material effect on the financial statements.			

***Martin/Pitt Partnership for Children, Inc.***  
***Schedule of Property and Equipment***  
***For the Year Ended June 30, 2002***

***Schedule 4***

	Furniture and Non-Computer Equipment	\$	66,215
	Computer Equipment/Printers		63,571
	Leasehold Improvements		2,400
	Total Property and Equipment	\$	<u>132,186</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. On the regulatory basis of accounting, these items are expensed in the year of purchase.		

**Martin/Pitt Partnership for Children, Inc.**  
**Schedule of Qualifying Match (Non-GAAP)**  
**For the Year Ended June 30, 2002**

**Schedule 5**

**Match Provided at the Partnership Level:**

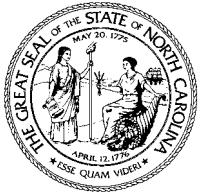
Cash	\$	9,673
In-Kind Goods and Services		26,641
	\$	<u>36,314</u>

**Match Provided at the Contractor Level:**

Cash	\$	190,838
In-Kind Goods and Services		151,810
	\$	<u>342,648</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.

[ This Page Left Blank Intentionally ]



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>

**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**

---

Board of Directors  
Martin/Pitt Partnership for Children, Inc.  
Greenville, North Carolina

We have audited the financial statements of the Martin/Pitt Partnership for Children, Inc. (Martin/Pitt Partnership) as of and for the year ended June 30, 2002, and have issued our report thereon dated June 13, 2003. 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 Martin/Pitt 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 Martin/Pitt 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)**

---

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

June 13, 2003

## **DISTRIBUTION OF AUDIT REPORT**

---

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**

Appointees to the Joint Legislative Commission on Governmental Operations

Senator Marc Basnight, Co-Chairman	Representative James B. Black, Co-Chairman
Senator Charlie Albertson	Representative Richard T. Morgan, Co-Chairman
Senator Kever M. Clark	Representative Martha B. Alexander
Senator Daniel G. Clodfelter	Representative E. Nelson Cole
Senator Walter H. Dalton	Representative James W. Crawford, Jr.
Senator James Forrester	Representative William T. Culpepper, III
Senator Linda Garrou	Representative W. Pete Cunningham
Senator Wilbur P. Gulley	Representative Beverly M. Earle
Senator Kay R. Hagan	Representative Stanley H. Fox
Senator David W. Hoyle	Representative R. Phillip Haire
Senator Ellie Kinnaird	Representative Dewey L. Hill
Senator Jeanne H. Lucas	Representative Maggie Jeffus
Senator William N. Martin	Representative Edd Nye
Senator Stephen M. Metcalf	Representative William C. Owens, Jr.
Senator Eric M. Reeves	Representative Drew P. Saunders
Senator Larry Shaw	Representative Wilma M. Sherrill
Senator R. C. Soles, Jr.	Representative Joe P. Tolson
Senator David F. Weinstein	Representative Thomas E. Wright
	Representative Douglas Y. Yongue

### **Other Legislative Officials**

Senator Anthony E. Rand	Majority Leader of the N. C. Senate
Senator Patrick J. Ballantine	Minority Leader of the N. C. Senate
Representative N. Leo Daughtry	N. C. House of Representatives
Mr. James D. Johnson	Director, Fiscal Research Division

July 21, 2003



## ORDERING INFORMATION

---

Copies of this report may be obtained by contacting the:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Internet: <http://www.ncauditor.net>

Telephone: 919/807-7500

Facsimile: 919/807-7647