



STATE OF NORTH CAROLINA

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

SOUTHERN PINES, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT OF

PARTNERS FOR CHILDREN & FAMILIES, INC.

SOUTHERN PINES, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2004

BOARD OF DIRECTORS

SHERMAN JOURDIAN, BOARD CHAIRMAN

ADMINISTRATIVE OFFICER

TERRY REYNOLDS, EXECUTIVE DIRECTOR



STATE OF NORTH CAROLINA
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP
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.ncauditor.net>

AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Directors, Partners for Children & Families, Inc.

This report presents the results of our financial statement audit of the Partners for Children & Families, Inc., (Moore Partnership) for the year ended June 30, 2004. Our audit was made by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

The accounts and operations of the 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 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 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 General Statute 143B-168.14(b) to have a financial and compliance audit conducted by the Office of the State Auditor.

The purpose of this report is to present the results of our audit on the accompanying financial statements. A summary of our reporting objectives and audit results are:

- 1. Objective** – To express an opinion on the accompanying financial statements.

Results – The accompanying financial statements present fairly, in all material respects, the amounts and disclosures made in accordance with the modified cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles.

AUDITOR'S TRANSMITTAL (CONCLUDED)

2. **Objective** – To present significant deficiencies, if any, in internal control over financial reporting which could adversely affect the Moore Partnership's ability to record, process, summarize, and report financial data in the financial statements and present instances of noncompliance or other matters, if any, with laws, regulations, contracts, or grant agreements.

Results - Our tests disclosed no significant deficiencies in the internal control over financial reporting and no instances of noncompliance or other matters that require disclosure herein under *Government Auditing Standards*.

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

Leslie W. Merritt, Jr.

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

TABLE OF CONTENTS

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



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.ncauditor.net>

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Partners for Children & Families, Inc., (Moore Partnership) as of June 30, 2004, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the 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 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 Partners for Children & Families, Inc., as of June 30, 2004, and the results of its operations arising from modified cash basis transactions for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Partners for Children & Families, Inc.'s basic financial statements. The information in Schedules 1, 3, 4, and 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These Schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.



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

March 11, 2005

Partners for Children & Families, Inc.

Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis

For the Year Ended June 30, 2004

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$56,555)	\$ 871,655	\$ 11,094	\$ 906	\$ 883,655
Federal Awards		18,232		18,232
Private Contributions		2,045	5,330	7,375
Interest and Investment Earnings		321		321
Sales Tax Refunds		777		777
Total Receipts	<u>871,655</u>	<u>32,469</u>	<u>6,236</u>	<u>910,360</u>
Net Assets Released from Restrictions: Satisfaction of Program Restrictions		2,927	(2,927)	
	<u>871,655</u>	<u>35,396</u>	<u>3,309</u>	<u>910,360</u>
Expenditures:				
Programs:				
Child Care and Education Affordability	203,046			203,046
Child Care and Education Quality	129,217			129,217
Family Support	45,567			45,567
Health and Safety	302,436	23,150		325,586
More at Four	50,617			50,617
Support:				
Management and General	125,769	12,535		138,304
Program Coordination	25,895			25,895
Program Evaluation	24,800			24,800
Other:				
Refund of Prior Year Grant		18		18
Sales Tax Paid		1,274		1,274
Total Expenditures	<u>907,347</u>	<u>36,977</u>		<u>944,324</u>
Excess of Receipts Over Expenditures	<u>(35,692)</u>	<u>(1,581)</u>	<u>3,309</u>	<u>(33,964)</u>
Net Assets at Beginning of Year	<u>56,555</u>	<u>3,111</u>	<u>3,374</u>	<u>63,040</u>
Net Assets at End of Year	<u>\$ 20,863</u>	<u>\$ 1,530</u>	<u>\$ 6,683</u>	<u>\$ 29,076</u>
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 19,402	\$ 1,530	\$ 6,683	\$ 27,615
Refunds Due From Contractors	1,461			1,461
	<u>\$ 20,863</u>	<u>\$ 1,530</u>	<u>\$ 6,683</u>	<u>\$ 29,076</u>

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

Partners for Children & Families, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2004

Exhibit B

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/Contracts/Grants</u>	<u>Participant Training Expenditures</u>
Smart Start Fund:									
Programs:									
Child Care and Education Affordability	\$ 203,046	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203,046	\$ 0
Child Care and Education Quality	129,217							129,217	
Family Support	45,567							45,567	
Health and Safety	302,436							302,436	
More at Four	50,617							50,617	
	<u>730,883</u>							<u>730,883</u>	
Support:									
Management and General	125,769	74,090	10,509	7,147	10,612	15,567	7,844		
Program Coordination	25,895	21,165	2,630	350			1,750		
Program Evaluation	24,800							24,800	
	<u>176,464</u>	<u>95,255</u>	<u>13,139</u>	<u>7,497</u>	<u>10,612</u>	<u>15,567</u>	<u>9,594</u>	<u>24,800</u>	
Total Smart Start Fund Expenditures	<u>\$ 907,347</u>	<u>\$ 95,255</u>	<u>\$ 13,139</u>	<u>\$ 7,497</u>	<u>\$ 10,612</u>	<u>\$ 15,567</u>	<u>\$ 9,594</u>	<u>\$ 755,683</u>	<u>\$ 0</u>
Other Funds:									
Programs:									
Health and Safety	\$ 23,150	\$ 0	\$ 550	\$ 2,694	\$ 1,674	\$ 0	\$ 0	\$ 18,232	\$ 0
Support:									
Management and General	12,535	535	12,000						
Other:									
Refund of Prior Year Grant	18					18			
Sales Tax Paid	1,274			1,274					
	<u>1,292</u>			<u>1,274</u>		<u>18</u>			
Total Other Funds Expenditures	<u>\$ 36,977</u>	<u>\$ 535</u>	<u>\$ 12,550</u>	<u>\$ 3,968</u>	<u>\$ 1,674</u>	<u>\$ 18</u>	<u>\$ 0</u>	<u>\$ 18,232</u>	<u>\$ 0</u>

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

PARTNERS FOR CHILDREN & FAMILIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Partners for Children & 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, 2004.

- C. Basis of Accounting** - The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- F. Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.
- G. Use of Estimates** - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Moore 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 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.

The Moore Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investment is in the bank's commercial paper issued by RBC Centura Banks, Inc., and is not insured by the FDIC. Consequently, the Moore Partnership bank deposits in excess of the FDIC insured limit totaled \$127,033 at June 30, 2004.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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 \$928,210 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 \$20,863 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2004.

The Moore 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 Moore Partnership's Smart Start Allocation.

NOTE 5 - FUNCTIONAL EXPENDITURES

The cost of providing the various programs and activities have been summarized on a functional basis in the statement of Receipts, Expenditures,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Quality - Used to account for service activities including child care resource and referral and kindergarten orientation/transition.

Child Care and Education Affordability - Used to account for service activities including public pre-K classes and childcare subsidy administration outside of the Division of Child Development.

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

Family Support - Used to account for service activities including parenting skills training, literacy projects, and family literacy projects, transportation 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 Coordination - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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) were indirectly allocated based on utilization data.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Rental expense for all operating leases during the year was \$13,125.

NOTE 7 - 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 (Plan) created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Moore Partnership contributed \$8,594 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Moore 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 Moore 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 (CONCLUDED)

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Compensated Absences - As a result of the Moore Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2004, is \$2,018. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2004, are available for the following purposes:

Purpose	Amount
Health Fair	\$ <u>6,683</u>

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2004, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Health Fair	\$ 2,909
LICC/DEC/EITTAS	<u>18</u>
	<u>\$ 2,927</u>

Partners for Children & Families, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2004

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Child Care Connections, Inc. of Moore County	* \$ 110,500	\$ 0	\$ 18,232	\$ 0
Creative Learning Center of North Carolina, Inc.	17,672			
FirstHealth Dental Care Centers	42,160			
Moore County Health Department	* 32,210	(712)		
Moore County Schools	* 208,742	(408)		
North Carolina Cooperative Extension Service	* 15,500	(305)		
Sandhills Center for Mental Health - ECI	* 32,000			
Sandhills Children's Center	138,730	(2)		
Sandhills Community College	* 134,830	(34)		
	<u>732,344</u>	<u>(1,461)</u>	<u>18,232</u>	<u>0</u>
Individuals:				
Program Evaluation	24,800			
	<u>\$ 757,144</u>	<u>\$ (1,461)</u>	<u>\$ 18,232</u>	<u>\$ 0</u>

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

Partners for Children & Families, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2004

Schedule 2

Organization Name	DHHS Contracts
Child Care Service Association - WAGE\$	\$ 100,000
Moore County Department of Social Services	* 495,500
	<u>\$ 595,500</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.

Partners for Children & Families, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2004

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
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	5-46076	\$ 18,232	\$ 18,232
State Awards:				
North Carolina Department of Health and Human Services Division of Child Development				
Pass-through from the North Carolina Partnership for Children, Inc.				
		*	N/A	(56,555)
		*	N/A	928,210
			12,000	12,000
Total State Awards			<u>883,655</u>	<u>919,347</u>
Total Federal and State Awards			<u>\$ 901,887</u>	<u>\$ 937,579</u>

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

Partners for Children & Families, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2004

Schedule 4

Furniture and Noncomputer Equipment	\$ 19,975
Computer Equipment/Printers	<u>16,959</u>
Total Property and Equipment	<u><u>\$ 36,934</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.

Partners for Children & Families, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2004

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 7,375
------	----------

Match Provided at the Contractor Level:

Cash	\$ 105,316
In-Kind Goods and Services	40,296
	<u>\$ 145,612</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.

[This Page Left Blank Intentionally]



STATE OF NORTH CAROLINA
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP
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.ncauditor.net>

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

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

We have audited the financial statements of the Partners for Children & Families, Inc., (Moore Partnership) as of and for the year ended June 30, 2004, and have issued our report thereon dated March 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 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 Moore Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement

**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)**

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 Moore Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be and should not be used by anyone other than these specified parties.

Leslie W. Merritt, Jr.

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

March 11, 2005

DISTRIBUTION OF AUDIT REPORT

In accordance with North Carolina 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
	The North Carolina Partnership for Children, Inc.
	Executive Director
Ms. Karen Ponder	The North Carolina Partnership for Children, Inc.

LEGISLATIVE BRANCH

Appointees to the Joint Legislative Commission on Governmental Operations

President Pro Tempore	Speaker of the House
Senator Marc Basnight, Co-Chair	Representative James B. Black, Co-Chair
Senator Charles W. Albertson	Representative Alma S. Adams
Senator Thomas M. Apodaca	Representative Martha B. Alexander
Senator Daniel G. Clodfelter	Representative Harold J. Brubaker
Senator Walter H. Dalton	Representative Lorene T. Coates
Senator Charlie S. Dannelly	Representative E. Nelson Cole
Senator James Forrester	Representative James W. Crawford, Jr.
Senator Linda Garrou	Representative William T. Culpepper, III
Senator Kay R. Hagan	Representative W. Pete Cunningham
Senator Fletcher L. Hartsell, Jr.	Representative Beverly M. Earle
Senator David W. Hoyle	Representative Pryor A. Gibson, III
Senator John H. Kerr, III	Representative Joe Hackney
Senator Ellie Kinnaird	Representative R. Phillip Haire
Senator Jeanne H. Lucas	Representative Dewey L. Hill
Senator Anthony E. Rand	Representative Lindsey H. Holliman
Senator R. C. Soles, Jr.	Representative Julia C. Howard
Senator Richard Y. Stevens	Representative Howard J. Hunter, Jr.
Senator A. B. Swindell, IV	Representative Margaret M. Jeffus
Senator Scott Thomas	Representative Daniel F. McComas
	Representative Charles L. McLawhorn
	Representative Henry M. Michaux, Jr.
	Representative Richard T. Morgan
	Representative Edd Nye
	Representative William C. Owens, Jr.
	Representative Deborah K. Ross
	Representative Drew P. Saunders
	Representative Wilma M. Sherrill
	Representative Joe P. Tolson
	Representative Edith D. Warren
	Representative Thomas E. Wright
	Representative Douglas Y. Yongue

Other Legislative Officials

Mr. James D. Johnson	Director, Fiscal Research Division
----------------------	------------------------------------

April 18, 2005

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