

**FINANCIAL STATEMENT AUDIT REPORT OF
MARTIN/PITT PARTNERSHIP FOR CHILDREN, INC.
GREENVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2008**

**PERFORMED UNDER CONTRACT WITH THE
NORTH CAROLINA OFFICE OF THE STATE AUDITOR**

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

**FINANCIAL STATEMENT AUDIT REPORT OF
MARTIN/PITT PARTNERSHIP FOR CHILDREN, INC.
GREENVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2008**

**BOARD OF DIRECTORS
KELLY BAXTER, BOARD CHAIR**

**ADMINISTRATIVE OFFICER
SHEILA ORTH, EXECUTIVE DIRECTOR**



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

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AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of Martin/Pitt Partnership for Children, Inc. for the year ended June 30, 2008. Winston, Williams, Creech, Evans and Company, LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

You will note from the independent auditor's report that the auditor determined that the financial statements are presented fairly in all material aspects. The results of their tests disclosed no deficiencies in internal control over financial reporting that were considered to be material weaknesses in relation to their audit scope or any instances of noncompliance or other matters that are required to be reported 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 Merritt

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

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Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



The CPA. Never Underestimate The Value.™

James P. Winston II, CPA
Gary L. Williams, CPA
Leonard R. Creech, Jr. CPA
Carleen P. Evans, CPA

Jennifer T. Reese, CPA

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 – Modified Cash Basis of the Martin/Pitt Partnership for Children, Inc. (Martin/Pitt Partnership) as of June 30, 2008, and the related Statement of Functional Expenditures – Modified Cash 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 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 Martin/Pitt Partnership for Children, Inc. as of June 30, 2008, and its receipts and expenditures for the year ended, on the basis of accounting described in Note 1.

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INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2008, 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 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 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 Martin/Pitt Partnership for Children, Inc.'s basic financial statements. The information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1, 3, 4, and 5 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

Winston, Williams, Creech, Evans and Company, LLP

Winston, Williams, Creech, Evans and Company, LLP
Certified Public Accountants
December 12, 2008

Martin/Pitt Partnership for Children, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2008

Exhibit A

| | Unrestricted Funds | | Temporarily Restricted Funds | Total Funds |
|---|---------------------|------------------|------------------------------------|------------------|
| | Smart Start Fund | Other Funds | | |
| Receipts: | | | | |
| State Awards | \$ 1,958,048 | \$ 23,665 | \$ 0 | \$ 1,981,713 |
| Federal Awards (less refunds of \$13,261) | | 389,263 | | 389,263 |
| Private Contributions | | 2,683 | | 2,683 |
| Special Fund Raising Events | | | 585 | 585 |
| Interest and Investment Earning | | 6,183 | | 6,183 |
| Sales Tax Refunds | | 7,932 | | 7,932 |
| Other Receipts | | 25,321 | | 25,321 |
| Total Receipts | 1,958,048 | 455,047 | 585 | 2,413,680 |
| Expenditures: | | | | |
| Programs: | | | | |
| Child Care and Education Quality | 681,934 | 409,823 | | 1,091,757 |
| Family Support | 414,901 | 1,542 | | 416,443 |
| Health and Safety | 519,200 | 7,295 | | 526,495 |
| Support: | | | | |
| Management and General | 282,824 | 24,646 | | 307,470 |
| Program Coordination and Evaluation | 59,189 | 481 | | 59,670 |
| Other: | | | | |
| Sales Tax Paid | | 7,439 | | 7,439 |
| Total Expenditures | 1,958,048 | 451,226 | | 2,409,274 |
| Excess of Receipts Over Expenditures | | 3,821 | 585 | 4,406 |
| Net Assets at Beginning of Year | | 42,226 | 10,132 | 52,358 |
| Net Assets at End of Year | \$ 0 | \$ 46,047 | \$ 10,717 | \$ 56,764 |
| Net Assets Consisted of: | | | | |
| Cash and Cash Equivalents | \$ 1,293 | \$ 46,138 | \$ 10,717 | \$ 58,148 |
| Refunds Due from Contractors | 4,024 | | | 4,024 |
| | 5,317 | 46,138 | 10,717 | 62,172 |
| Less: Due to the State | 5,317 | | | 5,317 |
| Funds Held for Others | | 91 | | 91 |
| | \$ 0 | \$ 46,047 | \$ 10,717 | \$ 56,764 |

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

Martin/Pitt Partnership for Children, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2008

Exhibit B

| | Total | Personnel | Contracted Services | Supplies and Materials | Other Operating Expenditures | Fixed Charges and Other Expenditures | Property and Equipment Outlay | Services/Contracts/Grants |
|--|---------------------|---------------------|----------------------------|-------------------------------|-------------------------------------|---|--------------------------------------|----------------------------------|
| Smart Start Fund: | | | | | | | | |
| Programs: | | | | | | | | |
| Child Care and Education Quality | \$ 681,934 | \$ 488,252 | \$ 366 | \$ 56,614 | \$ 36,317 | \$ 71,319 | \$ 6,516 | \$ 22,550 |
| Family Support | 414,901 | 292,856 | 123 | 37,075 | 27,218 | 22,179 | 1,584 | 33,866 |
| Health and Safety | 519,200 | | | | | | | 519,200 |
| | <u>1,616,035</u> | <u>781,108</u> | <u>489</u> | <u>93,689</u> | <u>63,535</u> | <u>93,498</u> | <u>8,100</u> | <u>575,616</u> |
| Support: | | | | | | | | |
| Management and General | 282,824 | 236,455 | 10,539 | 2,340 | 9,746 | 21,879 | 1,865 | |
| Program Coordination and Evaluation | 59,189 | 50,625 | | 91 | 3,902 | 4,117 | 454 | |
| | <u>342,013</u> | <u>287,080</u> | <u>10,539</u> | <u>2,431</u> | <u>13,648</u> | <u>25,996</u> | <u>2,319</u> | |
| Total Smart Start Fund Expenditures | <u>\$ 1,958,048</u> | <u>\$ 1,068,188</u> | <u>\$ 11,028</u> | <u>\$ 96,120</u> | <u>\$ 77,183</u> | <u>\$ 119,494</u> | <u>\$ 10,419</u> | <u>\$ 575,616</u> |
| Other Funds: | | | | | | | | |
| Programs: | | | | | | | | |
| Child Care and Education Quality | \$ 409,823 | \$ 185,082 | \$ 337 | \$ 15,476 | \$ 35,375 | \$ 18,363 | \$ 1,252 | \$ 153,938 |
| Family Support | 1,542 | 565 | | 249 | 728 | | | |
| Health and Safety | 7,295 | | | | | | | 7,295 |
| | <u>418,660</u> | <u>185,647</u> | <u>337</u> | <u>15,725</u> | <u>36,103</u> | <u>18,363</u> | <u>1,252</u> | <u>161,233</u> |
| Support: | | | | | | | | |
| Management and General | 24,646 | 191 | 17,122 | 83 | 3,296 | 459 | 3,495 | |
| Program Coordination and Evaluation | 481 | | | | 401 | 80 | | |
| | <u>25,127</u> | <u>191</u> | <u>17,122</u> | <u>83</u> | <u>3,697</u> | <u>539</u> | <u>3,495</u> | |
| Other: | | | | | | | | |
| Sales Tax Paid | 7,439 | | | 7,439 | | | | |
| Total Other Funds Expenditures | <u>\$ 451,226</u> | <u>\$ 185,838</u> | <u>\$ 17,459</u> | <u>\$ 23,247</u> | <u>\$ 39,800</u> | <u>\$ 18,902</u> | <u>\$ 4,747</u> | <u>\$ 161,233</u> |

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, 2008

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 September 20, 1994. 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, 2008.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. Amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. In addition, Smart Start funds advanced to the Local Partnership that are unexpended and unearned at year end are recorded as funds Due to the State.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Refunds Due From Contractors** - Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- F. Due to the State** - The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Funds Held For Others** - Funds held for others includes amounts received that are fiduciary in nature in which the Martin/Pitt Partnership acts in an agency capacity. For year-end June 30, 2008, the Martin/Pitt Partnership was holding amounts withheld from employee paychecks for distribution to employees participating in the dependent care Flexible Spending Account program.
- H. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Martin/Pitt Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Martin/Pitt Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2008. Donated items are recorded at estimated fair market value at the date of donation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- I. 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.
- J. Use of Estimates** - The preparation of financial statements in conformity with the other comprehensive basis of accounting used by the Martin/Pitt 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 Martin/Pitt Partnership are deposited with commercial banks 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. At June 30, 2008, the Martin/Pitt Partnership's bank deposits in excess of the FDIC insured limit was \$34,106.

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

The Martin/Pitt Partnership was awarded and has received \$1,963,365 under a current year Smart Start contract with NCPC. The unexpended

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

balance of this contract is subject to reversion to the State. The Martin/Pitt Partnership has returned \$5,317 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

Resource and Referral (R&R) Regional Services Initiative - The Martin/Pitt Partnership also received revenue and support from the State of North Carolina based on a cost-reimbursement contract with Child Care Services Association (CCSA) for the R&R Regional Services Initiative.

The Martin/Pitt Partnership was awarded \$402,524 under a current year contract with CCSA. The unexpended balance of this contract is subject to reversion to the State. The Martin/Pitt Partnership has returned \$2,862 of this contract to the State based on financial status reports submitted to CCSA subsequent to June 30, 2008.

The Martin/Pitt Partnership expects to receive continued funding through new Child Care Services Association contracts for the Resource and Referral Regional Services Initiative.

Multi-County Accounting and Contracting - The Martin/Pitt Partnership also received revenue and support from the State of North Carolina for their participation in the Multi-County Accounting and Contracting Program. The unexpended balance of this contract is subject to reversion to the State. The Martin/Pitt Partnership was awarded and has received \$23,665 under a current year contract for the payment of administrative and accounting services.

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 Martin/Pitt 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 Martin/Pitt 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,

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Expenditures, and Net Assets – Modified Cash Basis. Also, the Statement of Functional Expenditures – Modified Cash Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

A. Program Functions

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, quality enhancement grants for maintenance, child care resource and referral, professional development, provider training, health/safety training for child care professionals, learning materials and teaching aids, curriculum enhancements, and child care needs and resources assessments.

Family Support - Used to account for service activities associated with ongoing parenting education and family support needs.

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

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 and Evaluation - 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 as to the delivery of services and adherence to the specific terms and conditions of the contracts.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Direct allocation based on employee time reports.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE 6 - OPERATING LEASE OBLIGATIONS

Operating Lease Obligations - Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2008:

| <u>Fiscal Year</u> | <u>Operating Leases</u> |
|------------------------------|-----------------------------|
| 2009 | \$ 125,837 |
| 2010 | 19,825 |
| 2011 | 5,773 |
| 2012 | 1,740 |
| 2013 | 580 |
| Total Minimum Lease Payments | <u>\$ 153,755</u> |

Rental expense for all operating leases during the year was \$127,452.

NOTE 7 - PENSION PLAN

- A. Retirement Plans** - The Martin/Pitt Partnership has a Simplified Employee Pension plan (SEP Plan) covering all eligible employees. Each eligible employee of the Martin/Pitt Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Martin/Pitt Partnership contributed 8% of gross wages for the year ended June 30, 2008. The Martin/Pitt Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Martin/Pitt Partnership contributed \$72,322 for pension benefits during the year.
- B. IRC Section 403(b) Plan** - All eligible employees can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. No costs were incurred by the Martin/Pitt Partnership.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 8 - RISK MANAGEMENT

The Martin/Pitt 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 Martin/Pitt 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 |

Management believes such coverage is sufficient to preclude any significant losses to the Martin/Pitt 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 Martin/Pitt 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, 2008, is \$18,756. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2008 are available for the following purposes:

| <u>Purpose</u> | <u>Amount</u> |
|----------------|------------------|
| Kids Fest | <u>\$ 10,717</u> |

Martin/Pitt Partnership for Children, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 1

| Organization Name | Smart Start Fund | | Other Funds | |
|---|-------------------|-------------------|-------------------|-------------|
| | Amount Advanced | Refund Due | Amount Advanced | Refund Due |
| <i>Paid to Organizations:</i> | | | | |
| Carteret County Partnership for Children | \$ 0 | \$ 0 | \$ 57,253 | \$ 0 |
| Easter Seals United Cerebral Palsy | 146,118 | | | |
| Family Support Network | * 111,749 | | | |
| Jones County Partnership for Children | | | 17,837 | |
| Lenoir/Greene Partnership for Children | | | 44,544 | |
| Parent Information Resource - Library Grants | 6,047 | | | |
| M/T/W District Health Department | * 88,514 | (546) | | |
| Onslow County Partnership for Children | | | 32,307 | |
| Pitt County Health Department - Assuring Better Child Development | * 41,335 | (297) | 7,295 | |
| Pitt County Health Department - Child Care Health Consultant | * 134,970 | (2,644) | | |
| Pitt County Memorial Hospital | 27,370 | (537) | | |
| QUEST Rising Star Awards | 14,250 | | | |
| | <u>570,353</u> | <u>(4,024)</u> | <u>159,236</u> | |
| <i>Individuals for the purpose of:</i> | | | | |
| QUEST Education Awards | 8,300 | | | |
| Parents as Teachers Grant Awards | 987 | | 1,997 | |
| | <u>9,287</u> | | <u>1,997</u> | |
| | <u>\$ 579,640</u> | <u>\$ (4,024)</u> | <u>\$ 161,233</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.

Martin/Pitt Partnership for Children, Inc.
Schedule of a State Level Service Provider Contracts
For the Year Ended June 30, 2008

Schedule 2

| Organization Name | DHHS Contracts |
|---|---------------------------|
| Child Care Services Association - WAGE\$ | \$ 320,285 |
| Martin County Department of Social Services | * 245,933 |
| Pitt County Department of Social Services | * 737,821 |
| | <u>\$ 1,304,039</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.

Martin/Pitt Partnership for Children, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 3

| Federal/State Grantor/Pass-through Grantor/Program | Federal CFDA Number | Contract # | Receipts | Expenditures |
|--|---------------------------|------------|---------------------|---------------------|
| Federal Awards: | | | | |
| US Department of Health and Human Services | | | | |
| Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development | | | | |
| Child Care & Development Block Grant (Prior Year) | 93.575 | 315-303 | \$ (13,261) | \$ 4,148 |
| Child Care & Development Block Grant (Current Year) | 93.575 | 415-403 | * 402,524 | 387,206 |
| Total Federal Awards | | | <u>389,263</u> | <u>391,354</u> |
| State Awards: | | | | |
| North Carolina Department of Health and Human Services | | | | |
| Division of Child Development | | | | |
| Pass-through from the North Carolina Partnership for Children, Inc. | | | | |
| Early Childhood Initiatives Program | | N/A | * 1,958,048 | 1,958,048 |
| Multi-County Accounting and Contracting Grant | | N/A | 23,665 | 23,665 |
| Total State Awards | | | <u>1,981,713</u> | <u>1,981,713</u> |
| Total Federal and State Awards | | | <u>\$ 2,370,976</u> | <u>\$ 2,373,067</u> |

* 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 - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 4

| | | |
|-------------------------------------|----|-----------------------|
| Furniture and Noncomputer Equipment | \$ | 71,639 |
| Computer Equipment/Printers | | 74,870 |
| Leasehold Improvements | | <u>2,400</u> |
| Total Property and Equipment | \$ | <u><u>148,909</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 cash 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, 2008***

Schedule 5

Match Provided at the Partnership Level:

| | | |
|----------------------------|----|-----------------------|
| Cash | \$ | 32,435 |
| In-Kind Goods and Services | | <u>126,341</u> |
| | \$ | <u><u>158,776</u></u> |

Match Provided at the Contractor Level:

| | | |
|----------------------------|----|-----------------------|
| Cash | \$ | 174,175 |
| In-Kind Goods and Services | | <u>88,716</u> |
| | \$ | <u><u>262,891</u></u> |

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2007-323, Section 10.19(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.



**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
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, 2008, and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As described in Note 1, the accompanying financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Martin/Pitt Partnership for Children, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Martin/Pitt Partnership for Children, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Martin/Pitt Partnership for Children, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or the operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Martin/Pitt Partnership for Children, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that

**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)**

there is more than a remote likelihood that a misstatement of the Martin/Pitt Partnership for Children, Inc.’s financial statements that is more than inconsequential will not be prevented or detected by the Martin/Pitt Partnership for Children, Inc.’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the Martin/Pitt Partnership for Children, Inc.’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Martin/Pitt Partnership for Children, Inc.’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an 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 Board of Directors, management of the Martin/Pitt Partnership, others within 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.

Winston, Williams, Creech, Evans and Company, LLP

Winston, Williams, Creech, Evans and Company, LLP
Certified Public Accountants
December 12, 2008

ORDERING INFORMATION

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