

FINANCIAL STATEMENT AUDIT REPORT OF
CHATHAM COUNTY PARTNERSHIP
FOR CHILDREN
PITTSBORO, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2015

BOARD OF DIRECTORS
WILTON BROWN, BOARD CHAIR

ADMINISTRATIVE OFFICER
GENEVIEVE MEGGINSON,
EXECUTIVE DIRECTOR

Chatham County Partnership for Children

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Independent Auditor's Report

To Board Members of
Chatham County Partnership for Children
Pittsboro, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of Chatham County Partnership for Children which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2015, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Receipts, Expenditures and Net Assets of Chatham County Partnership for Children, as of and for the year ended June 30, 2015, and the Statement of Functional Expenditures for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Other Matter

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Schedule 2 on page 19 and Schedule 5 on page 22 are not required parts of the basic financial statements but is supplementary information required by the North Carolina Office of the State Auditor. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion or provide any assurance on Schedules 2 and 5.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Chatham County Partnership for Children. The accompanying supplementary Schedules 1, 3, and 4 are also presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2015, on our consideration of Chatham County Partnership for Children's internal control over financial reporting and on 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* in considering Chatham County Partnership for Children's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Charlotte, North Carolina
November 3, 2015

Chatham County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2015

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards and Contracts	\$ 633,231	\$ 1,181,986	\$ -	\$ 1,815,217
Federal Awards	-	76,024	20,229	96,253
Local Awards	-	5,000	-	5,000
Private Contributions	-	30,186	2,480	32,666
Special Fund Raising Events	-	5,754	-	5,754
Interest and Investment Earnings	-	15	-	15
Sales Tax Refunds	-	870	-	870
Other Receipts	-	307	-	307
Total Receipts	633,231	1,300,142	22,709	1,956,082
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	8,082	(8,082)	-
	<u>633,231</u>	<u>1,308,224</u>	<u>14,627</u>	<u>1,956,082</u>
Expenditures:				
Programs:				
Child Care and Education Quality	147,942	531	-	148,473
Family Support	95,278	15,063	-	110,341
Health and Safety	122,068	89,301	-	211,369
NC Pre-K	116,222	1,174,421	-	1,290,643
Support:				
Fund Raising	-	159	-	159
Management and General	93,132	25,891	-	119,023
Program Coordination and Evaluation	58,589	3,933	-	62,522
Other:				
Sales Tax Paid	-	665	-	665
Total Expenditures	633,231	1,309,964	-	1,943,195
Excess (Deficiency) of Receipts Over Expenditures	-	(1,740)	14,627	12,887
Net Assets at Beginning of Year	-	23,866	8,082	31,948
Net Assets at End of Year	\$ -	\$ 22,126	\$ 22,709	\$ 44,835
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 4,674	\$ 29,316	\$ 22,709	\$ 56,699
Refunds Due From Contractors	408	-	-	408
	<u>5,082</u>	<u>29,316</u>	<u>22,709</u>	<u>57,107</u>
Less: Due to State	5,082	-	-	5,082
Funds Held for Others	-	7,190	-	7,190
Total Net Assets	\$ -	\$ 22,126	\$ 22,709	\$ 44,835

The Accompanying Notes are an Integral Part of the Financial Statements.

Chatham County Partnership for Children
 Statement of Functional Expenditures - Modified Cash Basis
 For the Year Ended June 30, 2015

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	\$ 147,942	\$ 13,758	\$ 75	\$ 88	\$ 1,399	\$ 408	\$ 67	\$ 132,147
Family Support	95,278	9,718	9,462	604	3,957	4,212	220	67,105
Health and Safety	122,068	-	15,000	-	-	-	-	107,068
NC Pre-K	116,222	17,910	920	1,115	1,816	3,261	-	91,200
	<u>481,510</u>	<u>41,386</u>	<u>25,457</u>	<u>1,807</u>	<u>7,172</u>	<u>7,881</u>	<u>287</u>	<u>397,520</u>
Support:								
Management and General	93,132	62,828	12,515	2,085	7,126	8,241	337	-
Program Coordination and Evaluation	58,589	55,169	1,004	98	1,359	959	-	-
	<u>151,721</u>	<u>117,997</u>	<u>13,519</u>	<u>2,183</u>	<u>8,485</u>	<u>9,200</u>	<u>337</u>	<u>-</u>
Total Smart Start Fund Expenditures	\$ 633,231	\$ 159,383	\$ 38,976	\$ 3,990	\$ 15,657	\$ 17,081	\$ 624	\$ 397,520
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 531	\$ -	\$ -	\$ -	\$ (4)	\$ 29	\$ 6	\$ 500
Family Support	15,063	2,210	5,854	10	300	-	-	6,689
Health and Safety	89,301	8,523	3,000	-	216	-	-	77,562
NC Pre-K	1,174,421	36,778	5,208	1,041	2,579	2,675	-	1,126,140
	<u>1,279,316</u>	<u>47,511</u>	<u>14,062</u>	<u>1,051</u>	<u>3,091</u>	<u>2,704</u>	<u>6</u>	<u>1,210,891</u>
Support:								
Fund Raising	159	-	-	-	154	5	-	-
Management and General	25,891	500	23,257	55	805	724	50	500
Program Coordination and Evaluation	3,933	-	1,851	561	881	68	555	17
	<u>29,983</u>	<u>500</u>	<u>25,108</u>	<u>616</u>	<u>1,840</u>	<u>797</u>	<u>605</u>	<u>517</u>
Other:								
Sales Tax Paid	665	-	-	665	-	-	-	-
	<u>665</u>	<u>-</u>	<u>-</u>	<u>665</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	\$ 1,309,964	\$ 48,011	\$ 39,170	\$ 2,332	\$ 4,931	\$ 3,501	\$ 611	\$ 1,211,408

The Accompanying Notes are an Integral Part of the Financial Statements.

CHATHAM COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Chatham County Partnership for Children (Chatham County Partnership) is a legally separate nonprofit organization incorporated on June 30, 1994. The Chatham County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Chatham County 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 Chatham County Partnership's Board of Directors is responsible. Pursuant to the provisions of Financial Accounting Standards Board's accounting standards for not-for-profit entities, 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 the standards, 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 Chatham County Partnership did not have any permanently restricted net assets as of June 30, 2015.

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 of North Carolina are recognized as a reduction to expenditures and an increase to net assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. Additionally, 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 certificates of deposit and other 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 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 Initiative 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. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, the Chatham County Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Chatham County 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, 2015.
- H. 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.

- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Chatham County 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.
- J. Qualifying Match and Contributions In-Kind** – The Chatham County Partnership, in accordance with applicable Smart Start legislation, reports qualifying match provided at both the Partnership and the contractor level; the qualifying match is reported in supplemental Schedule 5. The match includes cash received and expended at the Partnership level, which is included in the modified cash basis financial statements. The qualifying match reported on Schedule 5 for cash provided at the contractor level and for in-kind goods and services at both the Partnership and contractor levels is not recorded in the modified cash basis financial statements. In-kind contributions could be donated equipment, supplies, office space, or services. The Chatham County Partnership also benefits from donor volunteer hours which do not require specific expertise but which are nonetheless central to the Chatham County Partnership's operations. See supplemental Schedule 5 for more information on contributions in-kind.
- K. Funds Held for Others** – Funds Held for Others includes amounts received that are fiduciary in nature in which the Chatham County Partnership acts in an agency capacity. For the year ended June 30, 2015, the Chatham County Partnership was holding \$7,190 in proceeds from the Reindeer Run and was not holding any amounts withheld from employee paychecks.

NOTE 2 - DEPOSITS

All funds of the Chatham County Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Deposits over insured amounts subject the Chatham County Partnership to a concentration of credit risk. At June 30, 2015, the Chatham County Partnership did not have any bank deposits not insured by FDIC.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

Smart Start Program

A major source for revenue and support for the Chatham County Partnership 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 Chatham County Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Chatham County 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 Chatham County 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 Chatham County Partnership was awarded and has received \$638,313 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Chatham County Partnership has refunded \$5,082 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2015.

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

North Carolina Pre-Kindergarten Contract (NC Pre-K)

The Chatham County Partnership also received revenue and support from the State of North Carolina for the NC Pre-K program. The Chatham County Partnership was awarded \$1,184,164 and received \$1,171,228 under a current year financial assistance contract.

The Chatham County Partnership expects to receive continued funding through new NC Pre-K contracts with the State.

Race to the Top-Early Learning Challenge Grant

The Chatham County Partnership also received revenue and support from DHHS for the Race to the Top-Early Learning Challenge grant (RTT-ELC). The RTT-ELC grant is a federally funded initiative to reduce disparities in school readiness among children with high needs and their peers. The Chatham County Partnership was awarded \$189,808 in a prior year of which it received \$94,065 during the year ended June 30, 2015. The grant period ends December 31, 2015.

The Chatham County Partnership has also been awarded a RTT Data Capacity Project Mini-Grant of \$9,920 to enhance local data capacity to help

collect, manage, and use data for measuring outcomes and making program improvements that will increase the health, well-being and development of young children. The Chatham County Partnership has received \$2,187 under the current year RTT-ELC grant.

The Chatham County Partnership expects to continue receiving funding through DHHS for the RTT-ELC grant.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations

The board members of the Chatham County Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Chatham County Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Chatham County 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 Chatham County Partnership's Smart Start allocation.

NOTE 5 - FUNCTIONAL EXPENDITURES

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

A. Program Functions

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

Family Support - Used to account for service activities associated with ongoing parenting education, general family support, family intervention, literacy or family literacy projects, community outreach information and

resources, home visiting or family support needs and resources assessments.

Health and Safety - Used to account for service activities associated with comprehensive medical home services, child care health consultations, health care access and support including special needs – early intervention services/special education, health needs and resources assessment, or nutrition programs.

NC Pre-Kindergarten - Used to account for development and implementation of NC Pre-K prekindergarten program for 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 and Evaluation - Expenditures that are incurred to coordinate the policies, procedures, daily practices, and evaluation of service delivery. Also, costs associated with providing technical assistance, monitoring and reporting of in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

Fund Raising - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

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

NOTE 6 - OPERATING LEASE OBLIGATIONS

Operating Lease Obligations - The Chatham Partnership does not have obligation for future minimum lease payments under non-cancelable operating leases at June 30, 2015.

Rental expense for all operating leases during the year was \$16,143.

NOTE 7 - PENSION PLAN

The Chatham County Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of the Chatham County Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Chatham County Partnership contributed 3% of gross wages for the year ended June 30, 2015. The Chatham County Partnership does not own the accounts nor is it liable for any other cost other than the required contribution. The Chatham County Partnership contributed \$4,514 for pension benefits during the year.

NOTE 8 - RISK MANAGEMENT

The Chatham County 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 Chatham County 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 Chatham County 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 Chatham County 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, 2015, is \$8,037. 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, 2015 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Child Health and Development	\$ 20,229
Family Support-Child Abuse Prevention	140
Nutrition/Physical Activity Program	440
NC Pre-K Curriculum	1,500
Nutrition/Physical Activity Program	400
	<u>\$ 22,709</u>

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2015, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
Child Health and Development	\$ 7,032
Family Support-Child Abuse Prevention	432
Literacy Program	618
	<u>\$ 8,082</u>

NOTE 11 - INCOME TAXES

The Chatham County Partnership is exempt from payment of income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except to the extent of taxes on any unrelated business income.

FASB ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to

be taken in the course of preparing financial statements to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority.

The Chatham County Partnership does not believe there are any unrecognized tax benefits or costs as of June 30, 2015. Income tax returns from 2012 through 2014 are open for examination by the tax authorities.

NOTE 12 - SUBSEQUENT EVENTS

The Chatham County Partnership has evaluated events and transactions that occurred between June 30, 2015 and November 3, 2015, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2015.

The Partnership is considering a merger with Child Care Networks, Inc. (CCN), the local child care resource and referral agency. The Partnership will be the surviving agency. The merger is anticipated to take place January 1, 2016. CCN has known liabilities that could negatively affect future financial statements.

Assets to be transferred upon merger have not been quantified and include all equipment and furniture. A merger agreement document outlining these liabilities and other terms of the merger has been finalized as of the Report Date.

SUPPLEMENTARY INFORMATION

**Chatham County Partnership for Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2015**

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
* Child Care Networks, Inc.	\$ 132,147	\$ -	\$ 1,000	\$ -
* Chatham County Health Department	101,233	408	-	-
Family Violence and Rape Crisis	19,912	-	-	-
* Chatham County Schools	91,200	-	804,900	-
Chapel Hill Training Outreach Project	52,807	-	145,637	-
* Robyn's Nest Creative Learning Center	-	-	101,550	-
* Telamon Head Start	-	-	79,290	-
Children's First	-	-	77,600	-
Children's Early School	-	-	200	-
Sonflower Seeds Preschool	-	-	200	-
	<u>397,299</u>	<u>408</u>	<u>1,210,377</u>	<u>-</u>
Individuals:				
Various Individuals Other Community Support	-	-	342	-
Various Classrooms Raising a Reader Supplies	629	-	689	-
	<u>629</u>	<u>-</u>	<u>1,031</u>	<u>-</u>
	<u>\$ 397,928</u>	<u>\$ 408</u>	<u>\$ 1,211,408</u>	<u>\$ -</u>

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

**Chatham County Partnership for Children
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2015**

Schedule 2

Organization Name	DHHS Contracts
Chatham County Department of Social Services	*
Child Care Services Association - WAGE\$ Program	\$ 326,430
	<u>34,738</u>
	<u>\$ 361,168</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 and Contracts.

**Chatham County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2015**

Schedule 3

Federal and State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract Number	Receipts	Expenditures
Federal Awards:				
U.S. Department of Education Pass-through from the North Carolina Department of Health and Human Services Pass-through from The North Carolina Partnership for Children, Inc. RTT-ELC Grant (Prior Year)	84.412	#320: 13-14-014	\$ 94,065	\$ 80,870
Pass-through from the North Carolina Department of Health and Human Services Pass-through from The North Carolina Partnership for Children, Inc. RTT Data Project (Current Year)	84.412	N/A	2,187	2,778
Total Federal Awards			<u>96,252</u>	<u>83,648</u>
State Awards:				
North Carolina Department of Health and Human Services, Division of Child Development and Early Education Pass-through from the North Carolina Partnership for Children, Inc. Early Childhood Initiatives Program (Current Year)	*	N/A	633,231	633,231
Multi-Partnership Accounting and Contracting Grant (Current Year)		N/A	10,758	10,758
North Carolina Department of Health and Human Services, Division of Child Development and Early Education NC Pre-K (Current Year)	*	30133	1,171,228	1,171,228
Total State Awards			<u>1,815,217</u>	<u>1,815,217</u>
Total Federal and State Awards			<u>\$ 1,911,469</u>	<u>\$ 1,898,865</u>

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

Chatham County Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2015

Schedule 4

Furniture and Noncomputer Equipment	\$ 19,253
Computer Equipment/Printers	14,991
Motor Vehicles	<u>9,769</u>
Total Property and Equipment	<u><u>\$ 44,013</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.

**Chatham County Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2015**

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	45,894
In-Kind Goods and Services		<u>19,017</u>
Total	\$	<u><u>64,911</u></u>

Match Provided at the Contractor Level:

Cash	\$	154,767
In-Kind Goods and Services		<u>26,750</u>
Total	\$	<u><u>181,517</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2014-100, Section 12B.9(d). 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 Financial Statements Performed in
Accordance with *Government Auditing Standards*

To Board Members of
Chatham County Partnership for Children
Pittsboro, North Carolina

We have audited, 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, the financial statements of Chatham County Partnership for Children (the "Organization"), as of and for the year ended June 30, 2015, and have issued our report thereon dated November 3, 2015.

As described in Note 1, the 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 of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Charlotte, North Carolina
November 3, 2015