

Financial Statement Audit Report of

Chatham County Partnership for Children
Pittsboro, North Carolina

For the Year Ended June 30, 2005

Performed Under Contract With the
North Carolina Office of the State Auditor

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

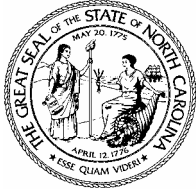
Financial Statement Audit Report of

**Chatham County Partnership for Children
Pittsboro, North Carolina**

For the Year Ended June 30, 2005

**Board of Directors
David Atkinson, Chair**

**Administrative Officer
Genevieve R. Megginson, Executive Director**



STATE OF NORTH CAROLINA
Office of the State Auditor

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State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Michael F. Easley, Governor
The General Assembly of North Carolina
Board of Directors, Chatham County Partnership for Children

This report presents the results of the financial statement audit of Chatham County Partnership for Children for the year ended June 30, 2005. 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.

The audit of the Chatham County Partnership for Children was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by G.S. 143B-168.10-16. This statute created the North Carolina Partnership for Children, Inc., and required the implementation of local partnerships. The Chatham County Partnership for Children is one of these local partnerships. As such, the Chatham County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143B-168.14 to have an annual financial and compliance audit conducted by the State Auditor. The State Auditor's authority to perform or coordinate all audit functions for state government is set forth in Article 5 of Chapter 147 of the North Carolina General Statutes.

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

Leslie W. Merritt, Jr.

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

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Winston, Williams, Creech, Evans & Company, LLP

Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chatham County Partnership for Children
Pittsboro, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Chatham County Partnership for Children (Chatham Partnership) as of June 30, 2005, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Chatham 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 misstatement. 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 Chatham County Partnership for Children as of June 30, 2005, 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 a report dated February 24, 2006, on our consideration of the Chatham Partnership's internal control over

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INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise the Chatham County Partnership for Children'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, is 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 to 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
February 24, 2006

Chatham County Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2005

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$23,825)	\$ 948,570	\$ 194,424	\$ 0	\$ 1,142,994
Federal Awards	0	750,000	0	750,000
Private Contributions	0	4,474	503	4,977
Interest and Investment Earnings	0	1,854	0	1,854
Sales Tax Refunds	0	2,899	0	2,899
Other Receipts (less refunds of \$1,908)	0	162	3,000	3,162
Total Receipts	948,570	953,813	3,503	1,905,886
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	0	27,299	(27,299)	0
Expiration of Time Restrictions				0
	948,570	981,112	(23,796)	1,905,886
Expenditures:				
Programs:				
Child Care and Education Affordability	155,342	0	0	155,342
Child Care and Education Quality	203,077	0	0	203,077
Family Support	204,266	500	0	204,766
Health and Safety	123,959	0	0	123,959
More at Four	51,399	183,627	0	235,026
Safe Start	0	783,535	0	783,535
Support:				
Management and General	115,169	14,798	0	129,967
Program Coordination	25,454	3,406	0	28,860
Program Evaluation	61,185	0	0	61,185
System Integration	29,359	2,964	0	32,323
Other:				
Sales Tax Paid	0	3,051	0	3,051
Total Expenditures	969,210	991,881	0	1,961,091
Excess of Receipts Over Expenditures	(20,640)	(10,769)	(23,796)	(55,205)
Net Assets at Beginning of Year	20,640	39,300	30,010	89,950
Net Assets at End of Year	\$ 0	\$ 28,531	\$ 6,214	\$ 34,745
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 53	\$ 28,764	\$ 6,214	\$ 35,031
Refunds Due From Contractors	3,020	0	0	3,020
	3,073	28,764	6,214	38,051
Less: Due to the Primary Government	3,073	0	0	3,073
Funds Held for Others	0	233	0	233
	\$ 0	\$ 28,531	\$ 6,214	\$ 34,745

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

**Chatham County Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2005**

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants	Participant Training Expenditures
Smart Start Funds:									
Programs:									
Child Care and Education Accessibility and Availability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Child Care and Education Affordability	155,342	0	0	0	0	0	0	155,342	0
Child Care and Education Quality	203,077	0	0	0	0	0	0	203,077	0
Family Support	204,266	0	0	0	0	0	0	204,266	0
Health and Safety	123,959	0	0	0	0	0	0	123,959	0
More at Four	51,399	0	0	0	0	0	0	51,399	0
	<u>738,043</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>738,043</u>	<u>0</u>
Support:									
Fund Raising	0	0	0	0	0	0	0	0	0
Management and General	115,169	66,564	22,062	1,493	12,478	11,730	842	0	0
Program Coordination	25,454	20,078	761	380	3,797	432	6	0	0
Program Evaluation	61,185	50,790	3,684	472	4,399	1,622	218	0	0
System Integration	29,359	20,078	73	249	8,532	421	6	0	0
	<u>231,167</u>	<u>157,510</u>	<u>26,580</u>	<u>2,594</u>	<u>29,206</u>	<u>14,205</u>	<u>1,072</u>	<u>0</u>	<u>0</u>
Other:									
Refund of Prior Year Grant									
Sales Tax Paid	0	0	0	0	0	0	0	0	0
Total Smart Start Fund Expenditures	<u>\$ 969,210</u>	<u>\$ 157,510</u>	<u>\$ 26,580</u>	<u>\$ 2,594</u>	<u>\$ 29,206</u>	<u>\$ 14,205</u>	<u>\$ 1,072</u>	<u>\$ 738,043</u>	<u>\$ 0</u>
Other Funds:									
Programs:									
Child Care and Education Accessibility and Availability	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Child Care and Education Affordability	0	0	0	0	0	0	0	0	0
Child Care and Education Quality	0	0	0	0	0	0	0	0	0
Family Support	500	0	0	0	0	500	0	0	0
Health and Safety	0	0	0	0	0	0	0	0	0
More at Four	183,627	0	0	0	327	0	0	183,300	0
Safe Start	783,535	263,553	108,877	6,834	70,735	22,686	1,193	309,657	0
	<u>967,662</u>	<u>263,553</u>	<u>108,877</u>	<u>6,834</u>	<u>71,062</u>	<u>23,186</u>	<u>1,193</u>	<u>492,957</u>	<u>0</u>
Support:									
Management and General	14,798	343	10,991	514	385	17	2,548	0	0
Program Coordination	3,406	0	564	321	1,202	794	525	0	0
System Integration	2,964	0	0	0	2,964	0	0	0	0
	<u>21,168</u>	<u>343</u>	<u>11,555</u>	<u>835</u>	<u>4,551</u>	<u>811</u>	<u>3,073</u>	<u>0</u>	<u>0</u>
Other:									
Refund of Prior Year Grant	0	0	0	0	0	0	0	0	0
Sales Tax Paid	3,051	0	0	3,051	0	0	0	0	0
	<u>3,051</u>	<u>0</u>	<u>0</u>	<u>3,051</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Funds Expenditures	<u>\$ 991,881</u>	<u>\$ 263,896</u>	<u>\$ 120,432</u>	<u>\$ 10,720</u>	<u>\$ 75,613</u>	<u>\$ 23,997</u>	<u>\$ 4,266</u>	<u>\$ 492,957</u>	<u>\$ 0</u>

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

CHATHAM COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Chatham County Partnership for Children (Chatham Partnership) is a legally separate nonprofit organization incorporated on June 30, 1994. The Chatham Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Chatham 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 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 Chatham Partnership did not have any permanently restricted net assets at June 30, 2005.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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. In addition, Smart Start funds advanced to the local Partnership that are unexpended and unearned at year-end are recorded as a Due to the Primary Government.

- 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 Primary Government** - 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 Chatham Partnership acts in an agency capacity. For the year ended June 30, 2005, the Chatham Partnership was holding amounts withheld from employee paychecks for contributory insurance benefits.
- H. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, Chatham Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Chatham 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, 2005. Donated items are recorded at estimated fair market value at the date of donation.
- 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Chatham 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 Chatham Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per bank. Deposits over this amount subjects the Chatham Partnership to a concentration of credit risk. At June 30, 2005, the Chatham Partnership's bank deposits in excess of the FDIC insured limit was \$ 22,016.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Chatham 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 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 Partnership was awarded and has received \$ 972,395 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Chatham Partnership has returned \$3,073 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2005.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Safe Start Program - The Chatham Partnership's additional major source of revenue and support was from the U.S. Department of Justice for the federally funded Safe Start Initiative. The Chatham Partnership is one of nine program sites selected for the 5 ½ year demonstration project. Funding is based on the completion of specified phases of the project. In the current year, the Chatham Partnership received \$ 750,000. The Chatham Partnership expects to receive continued funding through Safe Start Program contract with the U.S. Department of Justice.

More at Four - The Chatham Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Chatham Partnership was awarded \$ 182,424 and spent \$ 183,627 under a current year contract. The Chatham Partnership expects to receive continued funding through new More at Four contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of the Chatham Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Chatham Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Chatham 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 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 Affordability - Used to account for service activities associated with child care cost supports (Division of Child Development).

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, childcare

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

resource and referral, professional development and kindergarten orientation/transition.

Family Support - Used to account for service activities including family resource centers, parenting skills training, general family support and family crisis intervention.

Health and Safety - Used to account for service activities including comprehensive health support and special needs – early intervention services/special education programs

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.

Safe Start - Used to develop a demonstration initiative to prevent and reduce the impact of family and community violence on young children (primarily from birth to six years of age) by helping communities to expand existing partnerships between service providers (such as law enforcement, mental health, early childhood education and others) to create a comprehensive service delivery system.

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.

System Integration - Expenditures incurred for information management across several agencies/organizations bridging numerous service areas.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 directly allocated based on utilization rates.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2005:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2006	\$ 42,492
2007	38,592
2008	28,962
2009	10,050
Total Minimum Lease Payments	<u>\$ 120,096</u>

Rental expense for all operating leases during the year was \$46,231.

NOTE 7 - PENSION PLAN

A. Retirement Plans - The Chatham Partnership has a Simplified Employee Pension plan (SEP Plan) covering all employees. Each employee of the Chatham Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Chatham Partnership contributed 3% of gross wages for the year ended June 30, 2005. The Chatham Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Chatham Partnership contributed \$ 10,220 for pension benefits during the year.

B. Deferred Compensation and Supplemental Retirement Income Plans- IRC Section 403(b) Plan- All permanent employees who are at least half time can participate in a tax sheltered annuity plan (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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

All costs of administering and funding these Plans are the responsibility of the Plan participants. No costs were incurred by the Chatham Partnership.

NOTE 8 - RISK MANAGEMENT

The Chatham 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 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 Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

A. Compensated Absences - As a result of the Chatham 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, 2005, is \$ 13,516. No funds or reservation of net assets has been made for this commitment.

B. Commitments on Contracts - The Chatham Partnership had outstanding commitments of \$199,899 on cost-reimbursement contracts that had not been paid at June 30, 2005.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2005 are available for the following purposes:

Purpose	Amount
Lady Bug Subscription	\$ 733
Liberty Chapel	200
Apprendiendo	85
Success By Six	255
Kids Outdoors – Pilot Model Outdoor Learning Center	1,941
Safe Start Program Income	3,000
	<hr/>
	\$ 6,214

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2005, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Safe Start	\$ 27,034
Kids Outdoors – Pilot Model Outdoor Learning Center	234
Meetings – Safe Start	31
	<hr/>
	\$ 27,299

***Chatham County Partnership for Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2005***

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Administrative Office of the Courts	\$	\$	\$ 2,928	\$
Carolina Outreach			57,776	
Central Carolina Community College	*	2,302	26,456	
Chatham County Finance Office			52,240	
Chatham County Health Department	*	125,931		
Chatham County School System and Local Units	*	52,753	156,844	
Chatham County Social Services			2,636	
Chatham Family Resource Center		73,437		
Child Care Networks	*	372,953		3,020
Family Violence and Rape Crisis Services of Chatham County		54,092	100,818	
Heads Up!		24,859		
Orange Person Chatham Community Mental Health		34,736	3,159	
		<u>741,063</u>	<u>402,857</u>	<u>0</u>
Individuals:				
In-Home Therapeutic Services			56,119	
Psychological Evaluation			33,981	
		<u>0</u>	<u>90,100</u>	<u>0</u>
		<u>\$ 741,063</u>	<u>\$ 492,957</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.

***Chatham County Partnership for Children
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2005***

Schedule 2

Organization Name	DHHS Contracts
Chatham County Department of Social Services *	\$ 311,416
Child Care Services Association - WAGE\$ Program	<u>51,400</u>
	<u><u>362,816</u></u>

* This organization is 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.

**Chatham County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2005**

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
US Department of Justice				
Pass-through from Chatham County				
Reduction and Prevention of Children's Exposure to Violence (Safe Start)	16.730	** 2000-JW-VX-K002	\$ 750,000	\$ 783,535
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 Programs (Previous Years)		N/A	(20,752)	(112)
Early Childhood Initiatives Programs (Current Year)	*	N/A	969,322	969,322
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
North Carolina Department of Health and Human Services				
More at Four Pre-Kindergarten Program	*	20290003763	182,424	183,627
Total State Awards			<u>1,142,994</u>	<u>1,164,837</u>
Total Federal and State Awards			<u>\$ 1,892,994</u>	<u>\$ 1,948,372</u>

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

** Major Programs per OMB Circular A-133

Notes to the Schedule of Federal and State Awards - Modified Cash Basis

1. The accompanying schedule of federal and state awards includes the federal and State grant activity of the Chatham County Partnership for Children and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. The More at Four Pre-Kindergarten Program is contracted jointly by the North Carolina Department of Health and Human Services and the Office of the Governor. The allocations for the More at Four program are included in the budget for the North Carolina Department of Health and Human Services, therefore, the above schedule identifies that agency as the State Grantor. The Office of the Governor is responsible for oversight of the More at Four Program.

***Chatham County Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2005***

Schedule 4

Furniture and Noncomputer Equipment	\$	26,667
Computer Equipment/Printers		49,593
Motor Vehicles		<u>2,754</u>
Total Property and Equipment	\$	<u><u>79,014</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.

**Chatham County Partnership for Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2005**

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	764,710
In-Kind Goods and Services		<u>46,986</u>
	\$	<u><u>811,696</u></u>

Match Provided at the Contractor Level:

Cash	\$	95,522
In-Kind Goods and Services		<u>134,251</u>
	\$	<u><u>229,773</u></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.

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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
Chatham County Partnership for Children
Pittsboro, North Carolina

We have audited the accompanying financial statements of the Chatham County Partnership for Children (Chatham Partnership) as of and for the year ended June 30, 2005, and have issued our report thereon dated February 24, 2006. 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 Chatham Partnership's internal control over financial reporting in order to determine our auditing procedures for the purpose 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 Chatham County 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

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**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)**

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*. However, we noted certain immaterial matters that we reported to management of the Chatham County Partnership, in a separate letter dated February 24, 2006.

This report is intended solely for the information and use of the audit committee, management of the Chatham 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
February 24, 2006

Winston, Williams, Creech, Evans & Company, LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Directors
Chatham County Partnership for Children
Pittsboro, North Carolina

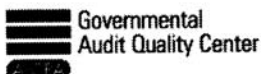
Compliance

We have audited the compliance of the Chatham County Partnership for Children (Chatham Partnership) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Chatham Partnership's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Chatham Partnership's management. Our responsibility is to express an opinion on Chatham Partnership's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chatham Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Chatham Partnership's compliance with those requirements.

In our opinion, Chatham Partnership complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133 (CONCLUDED)**

Internal Control Over Compliance

The management of Chatham Partnership is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Chatham Partnership's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that we consider to material weaknesses. However, we noted other matters involving the internal control over federal programs, that we reported to management of the Chatham County Partnership, in a separate letter dated February 24, 2006.

This report is intended solely for the information and use of the management of the Chatham Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and federal awarding agencies 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
February 24, 2006

**CHATHAM COUNTY PARTNERSHIP FOR CHILDREN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005 (CONCLUDED)**

II FINANCIAL STATEMENT FINDINGS

None reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**CHATHAM COUNTY PARTNERSHIP FOR CHILDREN
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

FINDING 04-01 INADEQUATE CONTRACT FISCAL MONITORING

STATUS: Corrected

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