

**FINANCIAL STATEMENT AUDIT REPORT OF
CABARRUS COUNTY PARTNERSHIP FOR CHILDREN
CONCORD, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2006**

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

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

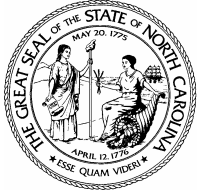
FINANCIAL STATEMENT AUDIT REPORT OF
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CONCORD, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2006

BOARD OF DIRECTORS

ROBERT M. SHINN, BOARD CHAIRMAN

ADMINISTRATIVE OFFICER

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STATE OF NORTH CAROLINA
Office of the State Auditor

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AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of Cabarrus County Partnership for Children for the year ended June 30, 2006. Tichenor & Associates, LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

The audit of the Cabarrus Partnership 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 Cabarrus County Partnership for Children is one of these local partnerships. As such, the Cabarrus County Partnership for Children is a private nonprofit 501(c)(3) organization and is required by G.S. 143 B-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 audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

Leslie W. Merritt, Jr.

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cabarrus County Partnership For Children
Concord, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Cabarrus County Partnership For Children (Cabarrus Partnership) as of June 30, 2006, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Cabarrus Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Cabarrus County Partnership For Children as of June 30, 2006, and the results of its operations arising from modified cash basis transactions for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2006 on our consideration of the Cabarrus Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations,

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 Cabarrus 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 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.

TICHENOR & ASSOCIATES, LLP

Tichenor & Associates, LLP

November 9, 2006

Cabarrus County Partnership For Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2006

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards (less refunds of \$34,701)	\$ 1,258,801	\$ 990,424	\$ 0	\$ 2,249,225
Private Contributions (less refunds of \$1,359)		43,238	51,889	95,127
Interest and Investment Earnings		192		192
Sales Tax Refunds		7,098		7,098
Total Receipts	1,258,801	1,040,952	51,889	2,351,642
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		19,414	(19,414)	
	1,258,801	1,060,366	32,475	2,351,642
Expenditures:				
Programs:				
Child Care and Education Quality	412,881			412,881
Family Support	140,498	18,058		158,556
Health and Safety	476,527	35,295		511,822
More at Four		980,652		980,652
Support:				
Management and General	160,708	12,639		173,347
Program Coordination	53,478	293		53,771
Program Evaluation	35,993			35,993
Other:				
Sales Tax Paid		3,836		3,836
Total Expenditures	1,280,085	1,050,773		2,330,858
Excess of Receipts Over Expenditures	(21,284)	9,593	32,475	20,784
Net Assets at Beginning of Year	21,284	(3,374)	19,414	37,324
Net Assets at End of Year	\$ 0	6,219	51,889	\$ 58,108
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 8,567	6,219	51,889	\$ 66,675
Refunds Due From Contractors	4,850			4,850
	13,417	6,219	51,889	71,525
Less: Due to State	(13,417)			(13,417)
	\$ 0	6,219	51,889	\$ 58,108

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

***Cabarrus County Partnership For Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2006***

Exhibit B

	<u>Total</u>	<u>Personnel</u>	<u>Contracted Services</u>	<u>Supplies and Materials</u>	<u>Other Operating Expenditures</u>	<u>Fixed Charges and Other Expenditures</u>	<u>Property and Equipment Outlay</u>	<u>Services/ Contracts/ Grants</u>
Smart Start Funds:								
Programs:								
Child Care and Education Quality	\$ 412,881	\$ 2,087	\$ 151	\$ 0	\$ 0	\$ 0	\$ 0	\$ 410,643
Family Support	140,498	50,991	12,561	9,209	30,293	1,274	975	35,195
Health and Safety	476,527							476,527
	<u>1,029,906</u>	<u>53,078</u>	<u>12,712</u>	<u>9,209</u>	<u>30,293</u>	<u>1,274</u>	<u>975</u>	<u>922,365</u>
Support:								
Management and General	160,708	70,219	36,798	7,323	16,568	26,692	3,108	
Program Coordination	53,478	46,455	2,738	602	1,273	2,410		
Program Evaluation	35,993	13,202	22,791					
	<u>250,179</u>	<u>129,876</u>	<u>62,327</u>	<u>7,925</u>	<u>17,841</u>	<u>29,102</u>	<u>3,108</u>	
Total Smart Start Fund Expenditures	\$ 1,280,085	\$ 182,954	\$ 75,039	\$ 17,134	\$ 48,134	\$ 30,376	\$ 4,083	\$ 922,365
Other Funds:								
Programs:								
Family Support	\$ 18,058	\$ 2,205	\$ 8,646	\$ 5,982	\$ 700	\$ 225	\$ 0	\$ 300
Health and Safety	35,295							35,295
More at Four	980,652	51,561	12,299	1,489	4,102	1,170		910,031
	<u>1,034,005</u>	<u>53,766</u>	<u>20,945</u>	<u>7,471</u>	<u>4,802</u>	<u>1,395</u>		<u>945,626</u>
Support:								
Management and General	12,639		10,140	41	1,499	959		
Program Coordination	293					293		
	<u>12,932</u>		<u>10,140</u>	<u>41</u>	<u>1,499</u>	<u>1,252</u>		
Other:								
Sales Tax Paid	3,836			3,836				
	<u>3,836</u>			<u>3,836</u>				
Total Other Funds Expenditures	\$ 1,050,773	\$ 53,766	\$ 31,085	\$ 11,348	\$ 6,301	\$ 2,647	\$ 0	\$ 945,626

CABARRUS COUNTY PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Cabarrus County Partnership For Children (Cabarrus Partnership) is a legally separate nonprofit organization incorporated on June 18, 1998. The Cabarrus Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Cabarrus 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 Cabarrus 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 Cabarrus Partnership did not have any permanently restricted net assets at June 30, 2006.

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 a 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 Cabarrus Partnership acts in an agency capacity.
- 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, Cabarrus Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Cabarrus 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, 2006. 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 modified cash basis of accounting used by the Cabarrus 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 Cabarrus Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Deposits over this amount subjects the Cabarrus Partnership to a concentration of credit risk. At June 30, 2006, the Cabarrus Partnership's bank deposits in excess of the FDIC insured limit was \$190,935.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Cabarrus 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 Cabarrus 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 Cabarrus Partnership was awarded and has received \$1,293,502 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Cabarrus Partnership has returned \$13,417 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2006.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

More at Four - The Cabarrus Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Cabarrus Partnership was awarded \$1,007,730 and received \$978,424 under a current year contract. The Cabarrus Partnership expects to receive continued funding through new More at Four contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

A. Service Provider Contracts with Board Member Organizations - The board members of the Cabarrus Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Cabarrus Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Cabarrus Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements.

B. Other Related Parties - The Cabarrus Partnership has a leased employee relationship with Northeast Medical Center. A representative of Northeast Medical Center also serves on the Board of the Cabarrus Partnership. The Cabarrus Partnership paid a total of \$248,182 to Northeast Medical Center during the fiscal year.

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 including child care resource and referral, professional development, salary supplements, provider training, and learning materials and teaching aids.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Family Support - Used to account for service activities including family resource centers, general family support, community outreach information and resources.

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

More at Four – Used to account for development and implementation of More at Four pre-kindergarten program for at-risk four-year-olds who are at risk of failure in kindergarten. The goal is to provide quality pre-kindergarten services in order to enhance kindergarten readiness.

B. Support Functions

Management and General - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

Program Coordination - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities.

Program Evaluation - Expenditures that are incurred to monitor the effectiveness and feasibility of Partnership activities and contract agencies to determine if the short-term and long-term goals are being achieved.

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 allocated based on utilization data.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2006:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Fiscal Year</u>	<u>Operating Leases</u>
2007	\$ 74,010
2008	77,299
2009	78,944
2010	<u>26,315</u>
Total Minimum Lease Payments	<u>\$ 256,568</u>

Rental expense for all operating leases during the year was \$27,948.

NOTE 7 - RISK MANAGEMENT

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Compensated Absences - As a result of the Cabarrus Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (personal time off; extended 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, 2006, is \$8,266. No funds or reservation of net assets has been made for this commitment.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 9 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2006 are available for the following purposes:

Purpose	Amount
Latino Family Parent Education	\$ 2,500
Child Safety Campaign	4,900
Child Safety Champaign	4,360
Teen Parent Program	129
Intensive Home Visiting	40,000
	<u>\$ 51,889</u>

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2006, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Infant Toddler Safety Campaign	\$ 5,417
Intensive Home Visiting Program	223
Dental Health	35,071
Latino Family Education	5,888
Child Safety – Spanish Video	319
Well Child Project	7,265
Family Education	871
First Presbyterian Church	536
	<u>\$ 55,590</u>

***Cabarrus County Partnership For Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2006***

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<i>Paid to Organization:</i>				
Cabarrus Health Alliance	* \$ 478,148	\$ 1,845	\$ 35,071	\$ 0
Cabarrus County Schools	*		218,460	
Child Care Resources, Inc	276,840	2,947		
Elite Child Development			125,190	
Kannapolis City Schools	*		132,400	
Kids Korner Child Development Center, Inc.			57,925	
Logan Community Child Care Center			188,519	
Piedmont Primary Academy, Inc.			106,700	
Sunshine Day Care			47,003	
Thompson Child & Family Focus	63,225		32,010	
More at Four Start Up Materials				
Mecklenburg Partnership for Children		58		
	<u>818,213</u>	<u>4,850</u>	<u>943,278</u>	<u>0</u>
<i>Individuals:</i>				
Cabarrus Health Alliance	*		223	
Cabarrus County Preschool ICC			300	
Stipends			1825	
Scholarships/Bonus Awards	109,002			
	<u>109,002</u>	<u>0</u>	<u>2,348</u>	<u>0</u>
	<u>\$ 927,215</u>	<u>\$ 4,850</u>	<u>\$ 945,626</u>	<u>\$ 0</u>

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

***Cabarrus County Partnership For Children
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2006***

Schedule 2

Organization Name	DHHS Contracts
Cabarrus County Department of Social Services	* \$ <u>902,752</u>

* This organization is represented on the Partnership's Board as described in Note 4A - 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.

***Cabarrus County Partnership For Children
Schedule of State Awards - Modified Cash Basis
For the Year Ended June 30, 2006***

Schedule 3

State Grantor/Pass-through Grantor/Program	Contract #	Receipts	Expenditures
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 (Prior Year)	N/A	\$ (21,284)	\$
Early Childhood Initiatives Program (Current Year)	N/A	* 1,293,502	1,280,085
Early Childhood Initiatives Program (Current Year)		(13,417)	
Multi-County Accounting and Contracting Grant		12,000	12,000
North Carolina Department of Health and Human Services			
More at Four Pre-Kindergarten Program	N/A	* 978,424	980,652
Total State Awards		<u>\$ 2,249,225</u>	<u>\$ 2,272,737</u>

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

Note: 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.

***Cabarrus County Partnership For Children
Unaudited Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2006***

Schedule 4

Furniture and Noncomputer Equipment	\$ 16,447
Computer Equipment/Printers	<u>19,741</u>
Total Property and Equipment	<u><u>\$ 36,188</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.

***Cabarrus County Partnership For Children
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2006***

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	91,021
In-Kind Goods and Services		<u>3,746</u>
	\$	<u><u>94,767</u></u>

Match Provided at the Contractor Level:

Cash	\$	173,348
In-Kind Goods and Services		<u>111,274</u>
	\$	<u><u>284,622</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2003-397, 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
Cabarrus County Partnership For Children
Concord, North Carolina

We have audited the financial statements of the Cabarrus County Partnership For Children (Cabarrus Partnership) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 9, 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.

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 Cabarrus Partnership's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**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)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cabarrus Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management of the Cabarrus 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.

TICHENOR & ASSOCIATES, LLP

Tichenor & Associates, LLP

November 9, 2006

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