

**FINANCIAL STATEMENT AUDIT REPORT OF
CLEVELAND COUNTY PARTNERSHIP FOR CHILDREN, INC.**

SHELBY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2007

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

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

**FINANCIAL STATEMENT AUDIT REPORT OF
CLEVELAND COUNTY PARTNERSHIP FOR CHILDREN, INC.**

SHELBY, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS

BETTY DENKLER, BOARD CHAIR

ADMINISTRATIVE OFFICER

CATHY TAYLOR, EXECUTIVE DIRECTOR



STATE OF NORTH CAROLINA
Office of the State Auditor

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

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet
<http://www.ncauditor.net>

AUDITOR'S TRANSMITTAL

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

This report presents the results of the financial statement audit of Cleveland County Partnership for Children, Inc. for the year ended June 30, 2007. 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 Cleveland County Partnership for Children, Inc. 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 Cleveland County Partnership for Children, Inc. is one of these local partnerships. As such, the Cleveland County Partnership for Children, Inc. 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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Tichenor & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE SUITE C
LOUISVILLE, KY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cleveland County Partnership for Children, Inc.
Shelby, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Cleveland County Partnership for Children, Inc. (Cleveland Partnership) as of June 30, 2007, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Cleveland 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 Cleveland County Partnership for Children, Inc. as of June 30, 2007, 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 1, 2007, on our consideration of the Cleveland Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

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 Cleveland County Partnership for Children, Inc's basic financial statements. The information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1, 3, 4 and 5 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

November 1, 2007

Cleveland County Partnership for Children, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2007

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards	\$ 1,723,675	\$ 1,682,300	\$ 0	\$ 3,405,975
Private Contributions		36,886	13,691	50,577
Interest Earnings		14,214		14,214
Sales Tax Refunds		5,426		5,426
Other Receipts		5,135		5,135
Total Receipts	1,723,675	1,743,961	13,691	3,481,327
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions		30,374	(30,374)	
	1,723,675	1,774,335	(16,683)	3,481,327
Expenditures:				
Programs:				
Child Care and Education Accessibility and Availability	349,597			349,597
Child Care and Education Quality	520,720			520,720
Family Support	310,222	24,014		334,236
Health and Safety	150,091			150,091
More at Four	37,815	1,648,441		1,686,256
Support:				
Management and General	216,092	47,482		263,574
Program Coordination	139,138	6,550		145,688
Special Fund Raising Events		8,099		8,099
Other:				
Refund of Prior Year Grant		8,541		8,541
Sales Tax Paid		5,893		5,893
Total Expenditures	1,723,675	1,749,020		3,472,695
Excess of Receipts Over Expenditures		25,315	(16,683)	8,632
Net Assets at Beginning of Year		(2,026)	31,388	29,362
Net Assets at End of Year	\$ 0	\$ 23,289	\$ 14,705	\$ 37,994
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 1,047	\$ 25,474	\$ 14,705	\$ 41,226
Refunds Due From Contractors	9,366			9,366
	10,413	25,474	14,705	50,592
Less: Due to the State	10,445			10,445
Funds Held for Others	(32)	2,185		2,153
	\$ 0	\$ 23,289	\$ 14,705	\$ 37,994

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

Cleveland County Partnership for Children, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2007

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 Affordability	\$ 349,597	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 349,597
Child Care and Education Quality	520,720							520,720
Family Support	310,222	213,525	34,126	5,859	28,002	27,262	1,448	
Health and Safety	150,091							150,091
More at Four	37,815	10,302		1,222	2,745	122		23,424
	<u>1,368,445</u>	<u>223,827</u>	<u>34,126</u>	<u>7,081</u>	<u>30,747</u>	<u>27,384</u>	<u>1,448</u>	<u>1,043,832</u>
Support:								
Management and General	216,092	167,632	5,932	6,271	27,363	8,389	505	
Program Coordination	139,138	69,851	60,602	408	7,580	539	158	
	<u>355,230</u>	<u>237,483</u>	<u>66,534</u>	<u>6,679</u>	<u>34,943</u>	<u>8,928</u>	<u>663</u>	
Total Smart Start Fund Expenditures	<u>\$ 1,723,675</u>	<u>\$ 461,310</u>	<u>\$ 100,660</u>	<u>\$ 13,760</u>	<u>\$ 65,690</u>	<u>\$ 36,312</u>	<u>\$ 2,111</u>	<u>\$ 1,043,832</u>
Other Funds:								
Programs:								
Family Support	\$ 24,014	\$ 5,230	\$ 7,163	\$ 1,749	\$ 5,976	\$ 655	\$ 3,241	\$ 0
More at Four	1,648,441	98,507	3,729	10,434	16,813	1,400	11,492	1,506,066
	<u>1,672,455</u>	<u>103,737</u>	<u>10,892</u>	<u>12,183</u>	<u>22,789</u>	<u>2,055</u>	<u>14,733</u>	<u>1,506,066</u>
Support:								
Management and General	47,482		10,770	74	576	36,062		
Program Coordination	6,550		725	750	4,378		697	
Special Fund Raising Events	8,099				8,099			
	<u>62,131</u>		<u>11,495</u>	<u>824</u>	<u>13,053</u>	<u>36,062</u>	<u>697</u>	
Other:								
Refund of Prior Year Grant	8,541					8,541		
Sales Tax Paid	5,893			5,893				
	<u>14,434</u>			<u>5,893</u>		<u>8,541</u>		
Total Other Funds Expenditures	<u>\$ 1,749,020</u>	<u>\$ 103,737</u>	<u>\$ 22,387</u>	<u>\$ 18,900</u>	<u>\$ 35,842</u>	<u>\$ 46,658</u>	<u>\$ 15,430</u>	<u>\$ 1,506,066</u>

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

CLEVELAND COUNTY PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Cleveland County Partnership for Children, Inc. (Cleveland Partnership) is a legally separate nonprofit organization incorporated on May 20, 1994. The Cleveland Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Cleveland 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 Cleveland 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 Cleveland Partnership did not have any permanently restricted net assets at June 30, 2007.

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 Cleveland Partnership acts in an agency capacity. For the year ended, the Cleveland Partnership was holding \$32 prepayment withheld from employee paychecks for distribution to insurance companies. Also, \$2,185 was being held for the Local Intercoordinating Council.
- 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, Cleveland Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Cleveland 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, 2007. Donated items are recorded at estimated fair market value at the date of donation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- I. Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.
- J. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Cleveland 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 Cleveland 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 Cleveland Partnership to a concentration of credit risk.

The Cleveland Partnership has an Automated Investment Plan to invest excess balances over an established target amount. The investment is in the bank's Federal Obligations and is not insured by the FDIC. Consequently, the Cleveland Partnership bank deposits in excess of the FDIC insured limit totaled \$319,961 at June 30, 2007.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Cleveland 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 Cleveland Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The Cleveland Partnership was awarded and has received \$1,734,120 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Cleveland Partnership has returned \$10,445 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

More at Four - The Cleveland County Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Cleveland Partnership was awarded and received \$1,670,300 under a current year cost-reimbursement contract. The Cleveland 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 Cleveland Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Cleveland Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the Cleveland 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 Cleveland 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 including child care subsidy administration, public pre-K

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

classes, child care cost supports, subsidy programs and supplement for quality.

Child Care and Education Quality - Used to account for service activities including quality enhancement upgrades, quality enhancement maintenance, child care resource and referral, professional development, salary supplements and provider training.

Family Support - Used to account for service activities including family resource center, ongoing parent education, literacy projects and community outreach, information and resources.

Health and Safety - Used to account for service activities including oral health services, child care health consultation, comprehensive health support and home visiting.

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

B. Support Functions

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

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

Special Fund Raising Events - Expenditures for special fund raising events in which donor receives a direct 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 allocated based on utilization data.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2007:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2008	\$ 2,847
2009	2,568
2010	1,872
2011	480
2012	88
Total Minimum Lease Payments	<u>\$ 7,855</u>

Rental expense for all operating leases during the year was \$4,318.

NOTE 7 - PENSION PLAN

The Cleveland Partnership offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits each participating employee to defer a portion of his or her salary until future years. An employee may participate in the plan after six months of full time employment; however, an employee must contribute to the plan in order to participate. The Cleveland Partnership matches employee contributions dollar for dollar up to 5% of each employee's gross wages. All costs of administering and funding the plan are the responsibility of the plan participants.

For the year ended June 30, 2007, the partnership's matching contribution totaled \$30,596.

NOTE 8 - RISK MANAGEMENT

The Cleveland 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 Cleveland Partnership manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions, health and life	Purchased commercial insurance	None
Workers Compensation – Employee injuries	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

Management believes such coverage is sufficient to preclude any significant losses to the Cleveland 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 Cleveland 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, 2007, is \$20,577. No funds or reservation of net assets have been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2007 are available for the following purposes:

Purpose	Amount
Parents as Teachers	\$ 4
Imagination Library	13,691
Basement Repairs	1,000
Bathroom Repairs	10
	<u>\$ 14,705</u>

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2007, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Imagination Library	\$ 21,249
Fundraising	9,125
	<u>\$ 30,374</u>

***Cleveland County Partnership for Children, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2007***

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Annie B's Child Enrichment Center	\$ 1,638	\$ 0	\$ 51,811	\$ 0
Apples of Gold Preschool	2,925		103,531	
Bethware I			20,395	
Bethware II			24,960	
Boiling Springs	3,186		98,252	
Casar Elementary			18,783	
Child Care Connections, Inc.	* 396,004	3,687		
Cleveland Community College	* 128,420	18		
Cleveland County Health Department	* 152,377	2,286		
Cleveland County Schools	* 352,973	3,376		
East Elementary			130,081	
Fallston Elementary	1,770		69,587	
It Takes A Village			55,343	
Graham II			16,357	
Graham III			27,183	
Graham IV			26,422	
Grover Elementary			46,295	
James Love			25,663	
James Love #2	1,770		57,991	
James Love #3	354		38,348	
Kiddieland CDC	3,315		97,569	
Kiddieland CDC II			65,712	
La Petite Academy			65,665	
North Elementary			24,161	
Shelby City Schools	3,186		99,439	
Two By Two Day Care	3,510		105,502	
Two By Two Day Care II			66,107	
Union	1,770		55,675	
Washington Elementary			98,161	
West Elementary			17,072	
	<u>\$ 1,053,198</u>	<u>\$ 9,366</u>	<u>\$ 1,506,066</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.

***Cleveland County Partnership for Children, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2007***

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association	\$ 211,000
Cleveland County Department of Social Services	* 754,927
	<u>\$ 965,927</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.

Cleveland County Partnership for Children, Inc.
Schedule of State Awards - Modified Cash Basis
For the Year Ended June 30, 2007

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	*	\$ 1,723,675	\$ 1,723,675
Multi-County Accounting and Contracting Grant	N/A	12,000	10,808
North Carolina Department of Public Instruction			
Office of School Readiness			
More at Four Pre-Kindergarten Program	*	1,670,300	1,648,441
Total State Awards		\$ 3,405,975	\$ 3,382,924

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

Cleveland County Partnership for Children, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2007

Schedule 4

Furniture and Noncomputer Equipment	\$	51,081
Computer Equipment/Printers		32,548
Leasehold Improvements		<u>98,198</u>
Total Property and Equipment	\$	<u><u>181,827</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.

Cleveland County Partnership for Children, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2007

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	27,795
In-Kind Goods and Services		<u>241,319</u>
	\$	<u>269,114</u>

Match Provided at the Contractor Level:

Cash	\$	115,714
In-Kind Goods and Services		<u>274,050</u>
	\$	<u>389,764</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2005-276, Section 10.64(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.

Tichenor & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE SUITE C
LOUISVILLE, KY 40243

BUSINESS: (502) 245-0775
FAX: (502) 245-0725

E-MAIL: wtichenor@tichenorassociates.com

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
Cleveland County Partnership for Children, Inc.
Shelby, North Carolina

We have audited the financial statements of the Cleveland County Partnership for Children, Inc. (Cleveland Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 1, 2007. 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 Cleveland Partnership's internal control over financial reporting as a basis for designing our auditing procedures 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 Cleveland Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cleveland Partnership's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Cleveland Partnership's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Cleveland Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Cleveland Partnership's internal control.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Cleveland Partnership's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cleveland 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 Cleveland Partnership's Board of Directors, management of the Cleveland Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly of North Carolina 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 1, 2007

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