

**CHATHAM COUNTY PARTNERSHIP
FOR CHILDREN
Pittsboro, North Carolina**

**FINANCIAL STATEMENTS
June 30, 2007**

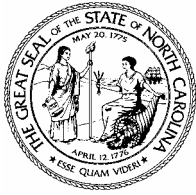
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**LESLIE W. MERRITT, JR., CPA, CFP
STATE AUDITOR**

FINANCIAL STATEMENT AUDIT REPORT OF
CHATHAM COUNTY PARTNERSHIP FOR CHILDREN
PITTSBORO, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS
PATSY TICKLE, BOARD CHAIR

ADMINISTRATIVE OFFICER
GENEVIEVE MEGGINSON, EXECUTIVE DIRECTOR



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, 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, 2007. Clifton Gunderson 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(b) to have a 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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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 and for the year ended 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 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 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 Chatham County Partnership for Children as of June 30, 2007, and its receipts and expenditures 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 15, 2007 on our consideration of the Chatham Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chatham County Partnership for Children'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.

Clifton Gundersen LLP

Raleigh, North Carolina
November 15, 2007

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

Exhibit A

	Smart Start Fund	Other Funds	Temporarily Restricted Funds	Total Funds
Receipts:				
State awards	\$ 1,052,815	\$ 257,344	\$ -	\$ 1,310,159
Federal awards	-	116,084	25,313	141,397
Local awards	-	300	-	300
Private contributions	-	46,774	791	47,565
Interest and investment earnings	-	6,329	-	6,329
Sales tax refunds	-	1,651	-	1,651
Other receipts	-	1,375	-	1,375
Total receipts	1,052,815	429,857	26,104	1,508,776
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	-	4,105	(4,105)	-
	1,052,815	433,962	21,999	1,508,776
Expenditures:				
Programs:				
Child Care and Education Affordability	143,527	-	-	143,527
Child Care and Education Quality	247,638	953	-	248,591
Family Support	207,015	19,108	-	226,123
Health and Safety	135,859	2,220	-	138,079
More at Four	45,319	234,189	-	279,508
Support:				
Management and General	127,850	13,082	-	140,932
Program Coordination	83,082	121,619	-	204,701
Program Evaluation	62,525	-	-	62,525
Other:				
Refund of Prior Year Grant	-	1,102	-	1,102
Sales Tax Paid	-	2,482	-	2,482
Total expenditures	1,052,815	394,755	-	1,447,570
Excess of Receipts Over Expenditures	-	39,207	21,999	61,206
Net Assets at Beginning of Year	-	26,406	7,046	33,452
Net Assets at End of Year	\$ -	\$ 65,613	\$ 29,045	\$ 94,658
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 682	\$ 65,382	\$ 29,045	\$ 95,109
Refunds Due From Contractors	5,435	250	-	5,685
	6,117	65,632	29,045	100,794
Less: Due to the State	(6,117)	-	-	(6,117)
Funds Held for Others	-	(19)	-	(19)
Total Net Assets	\$ -	\$ 65,613	\$ 29,045	\$ 94,658

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

Chatham County Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 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	\$ 143,527	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,527
Child Care and Education Quality	247,638	-	-	-	-	-	-	247,638
Family Support	207,015	-	-	-	-	-	-	207,015
Health and Safety	135,859	-	-	-	-	-	-	135,859
More at Four	45,319	-	-	-	-	-	-	45,319
	<u>779,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>779,358</u>
Support:								
Management and General	127,850	78,202	15,941	2,908	16,418	12,648	1,733	-
Program Coordination	83,082	44,092	11,610	1,335	18,429	1,472	6,144	-
Program Evaluation	62,525	56,758	153	716	2,917	1,771	210	-
	<u>273,457</u>	<u>179,052</u>	<u>27,704</u>	<u>4,959</u>	<u>37,764</u>	<u>15,891</u>	<u>8,087</u>	<u>-</u>
Total Smart Start Fund Expenditures	\$ 1,052,815	\$ 179,052	\$ 27,704	\$ 4,959	\$ 37,764	\$ 15,891	\$ 8,087	\$ 779,358
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 953	\$ -	\$ -	\$ 953	\$ -	\$ -	\$ -	\$ -
Family Support	19,108	-	-	-	-	-	-	19,108
Health and Safety	2,220	-	-	-	-	-	-	2,220
More at Four	234,189	12,653	488	164	1,922	324	258	218,380
	<u>256,470</u>	<u>12,653</u>	<u>488</u>	<u>1,117</u>	<u>1,922</u>	<u>324</u>	<u>258</u>	<u>239,708</u>
Support:								
Management and General	13,082	-	9,767	1,827	1,315	129	44	-
Program Coordination	121,619	80,193	11,401	2,425	11,738	14,427	1,435	-
	<u>134,701</u>	<u>80,193</u>	<u>21,168</u>	<u>4,252</u>	<u>13,053</u>	<u>14,556</u>	<u>1,479</u>	<u>-</u>
Other:								
Refund of Prior Year Grant	1,102	-	-	-	-	1,102	-	-
Sales Tax Paid	2,482	-	-	2,482	-	-	-	-
	<u>3,584</u>	<u>-</u>	<u>-</u>	<u>2,482</u>	<u>-</u>	<u>1,102</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	\$ 394,755	\$ 92,846	\$ 21,656	\$ 7,851	\$ 14,975	\$ 15,982	\$ 1,737	\$ 239,708

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

Chatham County Partnership For Children
Notes To Financial Statements
June 30, 2007

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, 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 does not recognize the value of in-kind goods and services provided; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. 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.

Chatham County Partnership For Children
Notes To Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 Chatham Partnership acts in an agency capacity. For the year ended June 30, 2007, the Chatham Partnership was holding amounts withheld from employee paychecks for distribution 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 incurred. 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 fair value as of June 30, 2007. 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 compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.

Chatham County Partnership For Children
Notes To Financial Statements
June 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- J. Use of Estimates** - The preparation of financial statements in conformity with the modified cash 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, 2007, the Chatham Partnership's bank deposits in excess of the FDIC insured limit was \$90,643.

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 \$1,058,932 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 \$6,117 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

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

Chatham County Partnership For Children
Notes To Financial Statements
June 30, 2007

NOTE 3 - FUNDING FROM GRANT AWARDS (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 was one of the eleven sites selected for this demonstration project. The demonstration project period ended on October 31, 2005, however, the Chatham Partnership received a no cost extension to continue the project through October 31, 2006. In the current year, the Chatham Partnership received \$18,897 for the completion of this grant.

Additionally, the Chatham Partnership was awarded a Congressional Discretionary grant in the amount of \$148,084 through June 30, 2008 for continuation of a portion of the Smart Start Project; Safe Start Services Coordination. In the current year, the Chatham Partnership received \$122,500 from this grant.

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 and received \$234,600 under a cost-reimbursement 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 the 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 costs:

Chatham County Partnership For Children
Notes To Financial Statements
June 30, 2007

NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)

A. Program Functions

Child Care and Education Affordability - Used to account for service activities associated with pre-K classes, child care subsidy administration (expansion of the North Carolina Division of Child Development (DCD) reimbursement system), and supplements for quality (expansion of the DCD reimbursement system)

Child Care and Education Quality - Used to account for service activities associated with quality enhancement grants to improve quality, quality enhancement grants to maintain quality, child care resource and referral services, professional development for child care providers, and kindergarten orientation/transition.

Family Support - Used to account for service activities associated with family resource centers, mobile family resource center, parenting skills training, general family support, family crisis intervention, or family support needs and resources assessments.

Health and Safety - Used to account for service activities associated with special needs – early intervention services/special education,

More at Four – Used to account for development and implementation of the 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.

Chatham County Partnership For Children
Notes To Financial Statements
June 30, 2007

NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)

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

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

Chatham County Partnership For Children
Notes To Financial Statements
June 30, 2007

NOTE 6 - OPERATING LEASE OBLIGATIONS (CONTINUED)

<u>Fiscal Year</u>	<u>Operating Leases</u>
2008	\$ 25,752
2009	19,512
2010	<u>17,952</u>
Total Minimum Lease Payments	<u>\$ 63,216</u>

Rental expense for all operating leases during the year was \$28,878.

NOTE 7 - PENSION PLAN

- A. Retirement Plans** - The Chatham Partnership has a Simplified Employee Pension Plan (SEP Plan) covering all full-time employees. Each full-time 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 eligible gross wages for the year ended June 30, 2007. The Chatham Partnership does not own the accounts nor is it liable for any other cost other than the required contribution. The Chatham Partnership contributed \$6,509 for pension benefits during the year.
- B. IRC Section 403(b) Plan** - All permanent employees who are at least half time may 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. This type of plan is exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding this Plan is 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:

Chatham County Partnership For Children
Notes To Financial Statements
June 30, 2007

NOTE 8 - RISK MANAGEMENT (CONTINUED)

<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

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, 2007, is \$14,277. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

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

<u>Purpose</u>	<u>Amount</u>
U.S. DOJ - Safe Start	\$ 25,313
Child Care Development – Lady Bug	661
Increase Child Care Spaces – Liberty Chapel	200
Parent Education – United Way	191
Program Coordination – Kids Outdoors	1,889
Program Coordination – Child Abuse Prevention	691
Program Coordination – Safe Start	<u>100</u>
Total	<u>\$ 29,045</u>

Chatham County Partnership For Children
Notes To Financial Statements
June 30, 2007

NOTE 10 - RESTRICTIONS ON NET ASSETS (CONTINUED)

- 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:

<u>Purpose</u>	<u>Amount</u>
Child Care Development – Lady Bug	\$ 93
Program Coordination – Week of the Young Child	12
Program Coordination – Child Abuse Prevention	1,000
Program Coordination – Safe Start	<u>3,000</u>
Total	<u>\$ 4,105</u>

This information is an integral part of the
accompanying financial statements.

Chatham County Partnership for Children
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
Paid to Organizations:				
Carolina Outreach	\$ -	\$ -	\$ 7,232	\$ -
Central Carolina Community College *	-	-	22,380	-
Chapel Hill Training Outreach	61,538	-	-	-
Chatham County Health Department*	110,529	-	-	-
Chatham County School System and Local Units*	40,915	5,435	134,300	-
Chatham County Social Services*	-	-	700	-
Chatham Family Resource Center	74,012	-	-	-
Child Care Networks	415,348	-	-	-
Family Violence and Rape Crisis Services of Chatham County	54,092	-	12,480	-
Heads Up!	28,359	-	-	-
Chatham Counseling Center **	-	-	(4)	-
Perry Harrison Elementary School	-	-	18,300	-
North Chatham Elementary School	-	-	42,700	-
	<u>784,793</u>	<u>5,435</u>	<u>238,088</u>	<u>-</u>
Paid to Individuals:				
Other			250	250
In-Home Therapeutic Services	-	-	1,620	-
	<u>0</u>	<u>0</u>	<u>1,870</u>	<u>250</u>
	<u>\$ 784,793</u>	<u>\$ 5,435</u>	<u>\$ 239,958</u>	<u>\$ 250</u>

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

** Voided check #8088 for \$4.29 was never cashed by the Chatham Counseling Center.

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

Schedule 2

Organization Name	DHHS Contracts
Chatham County Department of Social Services *	\$ 311,431
Child Care Services Association - WAGE\$ Program	52,900
	\$ 364,331

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

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards.

***Chatham County Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2007***

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				
Safe Start	16.730	2000-JW-VX-K002	\$ 18,897	\$ 7,520
Safe Start	16.730	2006-50728-NC-JL	122,500	97,187
Total Federal Awards			141,397	104,707
State Awards:				
North Carolina Department of Health and Human Services				
Division of Child Development				
Pass-through from the North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program *		N/A	1,052,815	1,052,815
Multi-County Accounting and Contracting Grant		N/A	12,000	12,000
Capacity Building Grant				
North Carolina Department of Public Instruction, Office of School Readiness				
More at Four Pre-Kindergarten Program *			234,600	234,189
Orange-Person-Chatham Mental Health				
Comprehensive Treatment Services Program			10,744	10,744
Total State Awards			1,310,159	1,309,748
Total Federal and State Awards			\$ 1,451,556	\$ 1,414,455

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

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

Schedule 4

Furniture and Noncomputer Equipment	\$ 22,110
Computer Equipment/Printers	40,076
Motor Vehicles	<u>9,769</u>
Total Property and Equipment	<u><u>\$ 71,955</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, 2007**

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 78,928
In-Kind Goods and Services	<u>17,733</u>
	<u>\$ 96,661</u>

Match Provided at the Contractor Level:

Cash	\$ 183,295
In-Kind Goods and Services	<u>132,466</u>
	<u>\$ 315,761</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.

**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 financial statements of the Chatham County Partnership for Children (Chatham Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 15, 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 Chatham 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 Chatham Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chatham 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 Chatham 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 Chatham Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Chatham Partnership's internal control.

**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)**

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 Chatham 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 Chatham 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*.

We noted certain matters that we reported to management of the Chatham Partnership in a separate letter dated November 15, 2007.

This report is intended solely for the information and use of the Chatham Partnership's Board of Directors, management of the Chatham 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.

Clifton Gunderson LLP

Raleigh, North Carolina
November 15, 2007

ORDERING INFORMATION

Audit reports issued by the Office of the State Auditor can be obtained from the web site at www.ncauditor.net. Also, parties may register on the web site to receive automatic email notification whenever reports of interest are issued. Otherwise, copies of audit reports may be obtained by contacting the:

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