

**FINANCIAL STATEMENT AUDIT REPORT OF
FRANKLIN GRANVILLE VANCE SMART START, INC.
HENDERSON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2015**

**BOARD OF DIRECTORS
PAUL WESTFALL, CHAIRMAN**

**ADMINISTRATIVE OFFICER
CAROLYN M. PAYLOR, EXECUTIVE DIRECTOR**

Franklin Granville Vance Smart Start, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Board Members
Franklin Granville Vance Smart Start, Inc.
Henderson, North Carolina

Report on Financial Statements

We have audited the accompanying statement of receipts, expenditures, and net assets – modified cash basis of Franklin Granville Vance Smart Start, Inc. as of and for the year ended June 30, 2015, and the related statement of functional expenditures – modified cash basis for the year then ended and the related notes to the financial statements.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of receipts, expenditures and net assets of Franklin Granville Vance Smart Start, Inc., as of and for the year ended June 30, 2015, and the statement of functional expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Other Matter

Basis of Accounting

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

Report on Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, on our consideration of Franklin Granville Vance Smart Start, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part

of an audit performed in accordance with *Government Auditing Standards* in considering the Franklin Granville Vance Smart Start, Inc.'s internal control over financial reporting and compliance.

Winston, Williams, Creech, Evans & Company, LLP

Oxford, North Carolina
February 29, 2016

Franklin Granville Vance Smart Start, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2015

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Funds	Other Funds		
Receipts:				
State Awards and Contracts	\$ 1,348,636	\$ 638,537	\$ -	\$ 1,987,173
Federal Awards	-	130,977	-	130,977
Local Awards	-	3,500	-	3,500
Private Contributions	-	20,843	10,803	31,646
Special Fund Raising Events	-	5,426	-	5,426
Sales Tax Refunds	-	6,574	-	6,574
Other Receipts	-	7,524	-	7,524
Total Receipts	1,348,636	813,381	10,803	2,172,820
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	-	16,121	(16,121)	-
	1,348,636	829,502	(5,318)	2,172,820
Expenditures:				
Programs:				
Child Care and Education Quality	514,494	43,612	-	558,106
Family Support	238,182	84,628	-	322,810
Health and Safety	46,238	93,087	-	139,325
NC Pre-K	156,341	578,543	-	734,884
Support:				
Management and General	227,441	1,651	-	229,092
Program Coordination and Evaluation	165,940	3	-	165,943
Other:				
Refund of Prior Year Grant	-	5,472	-	5,472
Sales Tax Paid	-	6,394	-	6,394
Total Expenditures	1,348,636	813,390	-	2,162,026
Excess/Deficiency of Receipts Over Expenditures	-	16,112	(5,318)	10,794
Net Assets at Beginning of Year	-	(481)	19,469	18,988
Net Assets at End of Year	\$ -	\$ 15,631	\$ 14,151	\$ 29,782
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 17,067	\$ 16,343	\$ 14,151	\$ 47,561
Refunds Due From Contractors	679	-	-	679
	17,746	16,343	14,151	48,240
Less: Due to State	17,746	-	-	17,746
Funds Held for Others	-	712	-	712
TOTAL NET ASSETS	\$ -	\$ 15,631	\$ 14,151	\$ 29,782

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

**Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2015**

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
Smart Start Funds:								
Programs:								
Child Care and Education Quality	514,494	395,552	1,640	7,725	53,139	14,733	4,706	36,999
Family Support	238,182	69,881	-	845	7,059	1,977	595	157,825
Health and Safety	46,238	37,702	-	1,732	5,476	1,328	-	-
NC Pre-K	156,341	18,892	-	572	2,828	1,642	100	132,307
	<u>955,255</u>	<u>522,027</u>	<u>1,640</u>	<u>10,874</u>	<u>68,502</u>	<u>19,680</u>	<u>5,401</u>	<u>327,131</u>
Support:								
Management and General	227,441	174,859	7,837	2,671	26,055	15,618	401	-
Program Coordination and Evaluation	165,940	148,246	5,540	1,054	7,558	3,542	-	-
	<u>393,381</u>	<u>323,105</u>	<u>13,377</u>	<u>3,725</u>	<u>33,613</u>	<u>19,160</u>	<u>401</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 1,348,636</u>	<u>\$ 845,132</u>	<u>\$ 15,017</u>	<u>\$ 14,599</u>	<u>\$ 102,115</u>	<u>\$ 38,840</u>	<u>\$ 5,802</u>	<u>\$ 327,131</u>
Other Funds:								
Programs:								
Child Care and Education Quality	43,612	30,446	-	312	12,341	513	-	-
Family Support	84,628	55,933	-	1,346	9,374	2,342	89	15,544
Health and Safety	93,087	8,556	-	-	933	-	-	83,598
NC Pre-K	578,543	25,507	-	271	3,270	15	-	549,480
	<u>799,870</u>	<u>120,442</u>	<u>-</u>	<u>1,929</u>	<u>25,918</u>	<u>2,870</u>	<u>89</u>	<u>648,622</u>
Support:								
Management and General	1,651	-	-	-	727	924	-	-
Program Coordination and Evaluation	3	-	-	-	3	-	-	-
	<u>1,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>730</u>	<u>924</u>	<u>-</u>	<u>-</u>
Other:								
Refund of Prior Year Grant	5,472	-	-	-	-	5,472	-	-
Sales Tax Paid	6,394	-	-	6,394	-	-	-	-
	<u>11,866</u>	<u>-</u>	<u>-</u>	<u>6,394</u>	<u>-</u>	<u>5,472</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 813,390</u>	<u>\$ 120,442</u>	<u>\$ -</u>	<u>\$ 8,323</u>	<u>\$ 26,648</u>	<u>\$ 9,266</u>	<u>\$ 89</u>	<u>\$ 648,622</u>

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

FRANKLIN GRANVILLE VANCE SMART START, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Franklin Granville Vance Smart Start, Inc. (FGV Partnership) is a legally separate nonprofit organization incorporated on July 11, 1996. The FGV Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The FGV 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 FGV Partnership's Board of Directors is responsible. Pursuant to the provisions of Financial Accounting Standards Board's Accounting Standard for *Not-For-Profit Entities*, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this Standard, 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 FGV Partnership did not have any permanently restricted net assets at June 30, 2015.

- C. Basis of Accounting** - The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

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

paychecks or other amounts received in an agency capacity are recorded as funds held for others. Additionally, Smart Start funds advanced to the Local Partnership that are unexpended and unearned at year end are recorded as funds Due to the State.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificates of deposit and other short-term investments with an original maturity of three months or less.
- E. Refunds Due From Contractors** - Refunds Due from Contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the advances are recorded as a reduction to the State awards balance.
- F. Due to State** - The funding provided by the State of North Carolina for the Smart Start Initiative is funded on a cost-reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Funds Held For Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which the FGV Partnership acts in an agency capacity. The FGV Partnership made all payroll-withholding disbursements prior to June 30th; however, the FGV Partnership is acting in an agency capacity for the FGV Child Care Provider Association, the Franklin County LICC, and the Franklin-Vance-Warren LICC and held \$155, \$57, and \$500 respectively.
- 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, FGV Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The FGV Partnership has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2015. Donated items are recorded on the property and equipment log 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.

- J. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the FGV 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.
- K. Qualifying Match and Contributions In-Kind** - FGV Partnership, in accordance with applicable Smart Start legislation, reports qualifying match provided at both the Partnership and the contractor level; the qualifying match is reported in supplemental Schedule 5. The match includes cash received and expended at the Partnership level, which is included in the modified cash basis financial statements. The qualifying match reported on Schedule 5 for cash provided at the contractor level and for in-kind goods and services at both the Partnership and contractor levels is not recorded in the modified cash basis financial statements. In-kind contributions could be donated equipment, supplies, office space, or services. FGV Partnership also benefits from donor volunteer hours which do not require specific expertise but which are nonetheless central to FGV Partnership's operations. See supplemental Schedule 5 for more information on contributions in-kind.

NOTE 2 - DEPOSITS

All funds of the FGV Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits over insured amounts subjects the FGV Partnership to a concentration of credit risk. At June 30, 2015, the FGV Partnership did not have any bank deposits not insured by FDIC.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

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

Associated with these contracts, the FGV 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 FGV 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 FGV Partnership was awarded and has received \$1,366,391 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The FGV Partnership has refunded \$17,746 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2015.

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

NC Pre-K - The FGV Partnership also received revenue and support from the State of North Carolina for the NC Pre-K program. The FGV Partnership was awarded \$578,880 and received and expended \$578,543 under a current year financial assistance contract.

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

Adolescent Parenting Program – The North Carolina Department of Health and Human Services, Division of Public Health and the FGV Partnership entered into a cost-reimbursement contract to finance the Vance County Adolescent Parenting Program (APP).

The FGV Partnership received and expended \$59,994 of the \$60,000 current year contract it was awarded.

The FGV Partnership expects to receive continued funding.

Child Care Resource and Referral Program – The FGV Partnership held a contract with the Child Care Services Association (CCSA) for the Child Care Resource and Referral Program (CCR&R).

The FGV Partnership expended \$31,972 of the \$32,106 which was received in the current year, \$134 was returned to the funder after June 30, 2015.

The FGV Partnership expects to receive continued funding.

Race to the Top-Early Learning Challenge Grant – The FGV Partnership also received revenue and support from the North Carolina Department of Health and Human Services (DHHS) for the Race to the Top-Early Learning Challenge grant (RttT-ELC). The RttT-ELC grant is a federally funded initiative to reduce disparities in school readiness among children with high needs and their peers.

Calendar year 2015 marks the third year of the three year grant period. The FGV Partnership received \$91,359 and expended \$83,084 in the current year.

The FGV Partnership expects funding for the RttT-ELC grant to end December 31, 2015.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

NOTE 5 - FUNCTIONAL EXPENDITURES

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

A. Program Functions

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

Family Support - Used to account for service activities associated with teen parent/child programs, ongoing parenting education, child car safety education and equipment, literacy projects including Reach Out and Read, and community outreach information and resources.

Health and Safety - Used to account for service activities associated with Assuring Better Child Health and Development (ABCD), early intervention referral services, and nutrition and physical activity.

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

B. Support Functions

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

Program Coordination and Evaluation - Expenditures that are incurred to coordinate the policies, procedures, daily practices, and evaluation of service delivery. Also, costs associated with providing technical assistance, monitoring and reporting of in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

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

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

NOTE 6 - OPERATING LEASE OBLIGATIONS

Operating Lease Obligations - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2015:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2016	\$ 33,247
2017	5,459
2018	1,197
Total Minimum Lease Payments	<u>\$ 39,903</u>

Rental expense for all operating leases during the year was \$33,834. This included \$26,500 (rent); \$5,375 (copier); \$1,641 (postage machine); and \$318 (water filtration).

Note 7 - Pension Plan

The FGV Partnership did not have a pension plan in place for its employees. However, each employee of the FGV Partnership is provided, as part of the benefit package, an opportunity to participate in a 403(b) plan.

IRC Sections 403(b) and 403(b)(7) Plans - All permanent employees who are at least half-time can participate in tax sheltered annuity plans (Plans) created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants.

NOTE 8 - RISK MANAGEMENT

The FGV 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 FGV 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 FGV 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 FGV Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2015, is \$24,708. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Temporarily Restricted Net Assets - Temporarily restricted net assets at June 30, 2015 are available for the following purposes:

Purpose	Amount
Go NAP SACC-Triangle North	\$ 6,000
Reach Out and Read	3,106
Vance County Safe Kids	2,815
Vance County Adolescent Parenting Program	1,554
Dolly Parton Imagination Library	434
FGV Provider Banquet	242
	<u>\$ 14,151</u>

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

Purpose	Amount
Reach Out and Read	\$ 7,926
RttT-ELC ABCD Expansion	4,969
Vance County Adolescent Parenting Program	1,994
Dolly Parton Imagination Library	1,232
	<u>\$ 16,121</u>

NOTE 11 - INCOME TAXES

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

FASB ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing financial statements to determine whether the tax positions are “more-likely-than-not” to be sustained by the applicable tax authority.

The FGV Partnership does not believe there are any unrecognized tax benefits or costs as of June 30, 2015. Income tax returns from fiscal years 2012 through 2015 are open to examination by the tax authorities.

NOTE 12 - SUBSEQUENT EVENTS

The FGV Partnership has evaluated events and transactions that occurred between June 30, 2015 and February 29, 2016, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2015.

There have been no events since June 30, 2015 that a material impact on the FGV Partnership's financial position.

This information is an integral part of the financial statements.

SUPPLEMENTARY SCHEDULES

Franklin Granville Vance Smart Start, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2015

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
ABC Adventures, Inc.	\$ 36,837	\$ -	\$ 89,880	\$ -
Bright Beginnings	1,499	-	-	-
Children's Ark	36,837	-	81,060	-
Community Fellowship Child Dev Center	600	-	-	-
Cornerstone Christian Daycare	600	-	-	-
Dream World Academy	11,499	-	104,600	-
Franklin County Schools	*	-	179,740	-
Franklin , Vance, Warren Opportunity, Inc.	*	-	96,000	-
Granville County Schools	*	124,557	-	-
Great Beginnings Christina Child Care	4,999	-	600	-
Kid Castle	-	-	600	-
Kid World, Inc.	599	-	-	-
Kid-A-Kademy	5,750	-	-	-
Kids R Us	4,765	-	-	-
Little Angels Child Care Center	600	-	-	-
Little Explorer Academy	600	-	600	-
Little Troopers	1,500	-	600	-
M & M Day Care Center	1,500	-	-	-
NCS Person Assoc	-	-	298	-
New Beginnings	500	-	-	-
Person County Partnership for Children	-	-	77,300	-
Presley Brook Academy	-	-	600	-
St. Paul Presbyterian Church Child Care	600	-	-	-
Start Rite Pre-School	-	-	600	-
Sugar-N-Spice Preschool	1,499	-	-	-
Teach-A-Tot Childcare	*	490	-	-
Vance Consolidated Accounts	*	57,757	679	-
Vance County Schools	22,500	-	-	-
	<u>316,088</u>	<u>679</u>	<u>632,478</u>	<u>-</u>
Individuals:				
Adolescent Parenting Program	-	-	2,520	-
Dollywood Imagination Library	-	-	5,098	-
Go NAP SACC	-	-	600	-
Kindergarten Readiness	972	-	0	-
Professional Development	2,950	-	0	-
Quality Enhancement	5,477	-	0	-
Reach Out and Read	2,323	-	7,926	-
	<u>11,722</u>	<u>-</u>	<u>16,144</u>	<u>-</u>
	<u>\$ 327,810</u>	<u>\$ 679</u>	<u>\$ 648,622</u>	<u>\$ -</u>

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

Franklin Granville Vance Smart Start, Inc.
Schedule of State Level Service Provider Contracts
For the Year Ended June 30, 2015

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$ Program	\$ 199,537
Department of Social Services (Franklin, Granville, and Vance Counties) *	888,254
	<u>\$ 1,087,791</u>

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

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

Franklin Granville Vance Smart Start, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2015

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
U.S. Department of Health and Human Services Administration for Children and Families Pass-through from the North Carolina Department of Health and Human Services- Division of Child Development and Early Education				
Pass-through from Child Care Services Association				
Child Care and Development Fund (CCDF)(Current Year)	93.575	#30721-FGV-15	\$ 32,106	\$ 31,972
Child Care and Development Fund (CCDF)(Prior Year)	93.575	#26858-FGV-13	-	503
U.S. Department of Education Pass-through from the North Carolina Department of Health and Human Services- Division of Child Development and Early Education				
Pass-through from Child Care Services Association				
RtTT-ELC 1 & 2 Star Upgrade - Prior Year	84.412A	#27710-FGV-15	80	-
U.S. Department of Education Pass-through from the North Carolina Department of Health and Human Services				
Pass-through from the North Carolina Partnership for Children, Inc.				
RTT--ELC Grant ABCD Exp Implementation	84.412	#320:13-14-002	91,359	83,084
RTT--ELC Grant ABCD Expansion (Prior Year)	84.412	#320:13-14-014	-	4,969
Total Federal Awards			123,545	120,528
State Awards:				
North Carolina Department of Health and Human Services Division of Child Development and Early Education Pass-through from The North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program (Current Year)		*	1,348,645	1,348,645
Early Childhood Initiatives Program (Prior Year)			(9)	(9)
North Carolina Department of Health and Human Services Division of Child Development and Early Education				
NC Pre-K		*	578,543	578,543
North Carolina Department of Health and Human Services Division of Public Health				
Teen Pregnancy Prevention Initiative(TIPPI)		30276	59,994	59,994
Total State Awards			1,987,173	1,987,173
Total Federal and State Awards			\$ 2,110,718	\$ 2,107,701

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

Franklin Granville Vance Smart Start, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2015

Schedule 4

Furniture and Noncomputer Equipment	\$	18,934
Computer Equipment/Printers		59,225
Motor Vehicles		14,945
		<hr/>
Total Property and Equipment	\$	93,104
		<hr/> <hr/>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year end. The valuations represent historical cost. On the modified cash basis of accounting, these items are expensed in the year of purchase.

Franklin Granville Vance Smart Start, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2015

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	48,094
In-Kind Goods and Services		<u>7,033</u>
	\$	<u><u>55,127</u></u>

Match Provided at the Contractor Level:

Cash	\$	230,107
In-Kind Goods and Services		<u>85,110</u>
	\$	<u><u>315,217</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2014-100, Section 12B.9.(d). The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.

Winston, Williams, Creech, Evans, & Company, LLP

Certified Public Accountants



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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of
Franklin Granville Vance Smart Start, Inc.
Henderson, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Franklin Granville Vance Smart Start, Inc. (a nonprofit organization), which comprise the statement of receipts, expenditures, and net assets – modified cash basis as of June 30, 2015, and the related statement of functional expenditures – modified cash basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 29, 2016.

Internal Control Over Financial Reporting

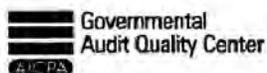
In planning and performing our audit of the financial statements, we considered Franklin Granville Vance Smart Start, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin Granville Vance Smart Start, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin Granville Vance Smart Start, Inc.'s internal control.

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

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

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deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Winston, Williams, Creech, Evans & Company, LLP

Oxford, North Carolina
February 29, 2016