

STATE OF NORTH CAROLINA

FINANCIAL STATEMENT AUDIT REPORT

BLADEN SMART START - A PARTNERSHIP FOR CHILDREN, INC.

ELIZABETHTOWN, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2007

OFFICE OF THE STATE AUDITOR

LESLIE W. MERRITT, JR., CPA, CFP

STATE AUDITOR

FINANCIAL STATEMENT AUDIT REPORT

BLADEN SMART START - A PARTNERSHIP FOR CHILDREN, INC.

ELIZABETHTOWN, NORTH CAROLINA

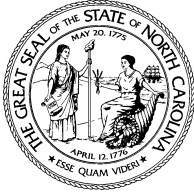
FOR THE YEAR ENDED JUNE 30, 2007

BOARD OF DIRECTORS

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ADMINISTRATIVE OFFICER

LILLIAN R. BRYANT, EXECUTIVE DIRECTOR



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

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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, Bladen Smart Start - A Partnership for Children, Inc.

We have completed a financial statement and compliance audit of the Bladen Smart Start - A Partnership for Children, Inc. (Bladen Partnership) for the year ended June 30, 2007, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material aspects.

The audit of the Bladen Partnership was made in conjunction with the Early Childhood Initiatives (Smart Start) program authorized by General Statutes 143B-168.10-16. These statutes created The North Carolina Partnership for Children, Inc., and required the implementation of local demonstration projects (local partnerships). The Bladen Partnership is one of these local partnerships. As such, the Bladen Partnership is a private nonprofit 501(c)(3) organization and is subject to audit and review by the State Auditor under Article 5A of Chapter 147 of the General Statutes and as authorized in General Statute 143B-168.12(a)(7).

Our consideration of internal control over financial reporting and compliance and other matters based on an audit of the financial statements resulted in no audit findings.

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

Leslie W. Merritt, Jr.

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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bladen Smart Start - A Partnership for Children, Inc.
Elizabethtown, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis of the Bladen Smart Start - A Partnership for Children, Inc. (Bladen 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 Bladen 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 Bladen Partnership 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 May 14, 2008, on our consideration of the Bladen 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 Bladen Partnership'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.

Leslie W. Merritt, Jr.

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

May 14, 2008

Bladen Smart Start - A 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		Total Funds
	Smart Start Fund	Other Funds	
Receipts:			
State Awards	\$ 480,909	\$ 12,000	\$ 492,909
Private Contributions		1,053	1,053
Interest Earnings		36	36
Sales Tax Refunds		4,132	4,132
Other Receipts		376	376
Total Receipts	480,909	17,597	498,506
Expenditures:			
Programs:			
Child Care and Education Quality	216,670		216,670
Family Support	48,275		48,275
Health and Safety	36,583		36,583
Support:			
Management and General	122,770	12,053	134,823
Program Coordination	49,529		49,529
Program Evaluation	7,082		7,082
Other:			
Sales Tax Paid		3,547	3,547
Total Expenditures	480,909	15,600	496,509
Excess of Receipts Over Expenditures		1,997	1,997
Net Assets at Beginning of Year		(4,157)	(4,157)
Net Assets at End of Year	\$ 0	\$ (2,160)	\$ (2,160)
Net Assets Consisted of:			
Cash and Cash Equivalents	\$ 26,050	\$ (1,871)	\$ 24,179
Refunds Due From Contractors	2		2
	26,052	(1,871)	24,181
Less: Due to the State	26,052		26,052
Funds Held for Others		289	289
	\$ 0	\$ (2,160)	\$ (2,160)

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

Bladen Smart Start - A 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 Quality	\$ 216,670	\$ 37,462	\$ 525	\$ 5,926	\$ 8,311	\$ 20,995	\$ 13,259	\$ 130,192
Family Support	48,275							48,275
Health and Safety	36,583							36,583
	<u>301,528</u>	<u>37,462</u>	<u>525</u>	<u>5,926</u>	<u>8,311</u>	<u>20,995</u>	<u>13,259</u>	<u>215,050</u>
Support:								
Management and General	122,770	73,971	2,442	2,804	16,018	23,753	3,782	
Program Coordination	49,529	31,530	728	3,910	4,400	4,513	4,448	
Program Evaluation	7,082		2,500	362	82	314	3,824	
	<u>179,381</u>	<u>105,501</u>	<u>5,670</u>	<u>7,076</u>	<u>20,500</u>	<u>28,580</u>	<u>12,054</u>	
Total Smart Start Fund Expenditures	<u>\$ 480,909</u>	<u>\$ 142,963</u>	<u>\$ 6,195</u>	<u>\$ 13,002</u>	<u>\$ 28,811</u>	<u>\$ 49,575</u>	<u>\$ 25,313</u>	<u>\$ 215,050</u>
Other Funds:								
Support:								
Management and General	\$ 12,053	\$ 2,597	\$ 5,153	\$ 165	\$ 200	\$ 1,217	\$ 2,721	\$ 0
Other:								
Sales Tax Paid	3,547			3,547				
Total Other Funds Expenditures	<u>\$ 15,600</u>	<u>\$ 2,597</u>	<u>\$ 5,153</u>	<u>\$ 3,712</u>	<u>\$ 200</u>	<u>\$ 1,217</u>	<u>\$ 2,721</u>	<u>\$ 0</u>

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

BLADEN SMART START - A PARTNERSHIP FOR CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

- A. Organization and Purpose** - The Bladen Smart Start - A Partnership for Children, Inc. (Bladen Partnership) is a legally separate nonprofit organization incorporated on August 21, 1997. The Bladen Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Bladen 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 Bladen 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.

The Bladen Partnership did not have any temporarily or permanently or 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Basis and includes all demand and savings accounts and certificates of deposit 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 Bladen Partnership acts in an agency capacity. At year end, the Bladen Partnership was holding amounts withheld from employee paychecks for garnishments and insurance payments.
- H. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year purchased. However, Bladen Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Bladen 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.
- 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 Bladen Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 Bladen 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 Bladen Partnership to a concentration of credit risk.

NOTE 3 - DEFICIT NET ASSETS

At June 30, 2007, the Unrestricted Funds - Other column and overall net asset presentation had a deficit net asset balance of \$2,160. The Bladen Partnership had not received reimbursement for expenditures related to sales tax. The sales tax reimbursement was received subsequent to June 30, 2007.

NOTE 4 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Bladen 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 Bladen 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 Bladen Partnership was awarded and has received \$506,961 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Bladen Partnership has returned \$26,052 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2007.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE 5 - RELATED PARTY TRANSACTIONS

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

NOTE 6 - FUNCTIONAL EXPENDITURES

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

A. Program Functions

Child Care and Education Quality - Used to account for service activities including quality enhancement grants for upgrades, professional development, learning materials and teaching aids, or health benefits for child care providers.

Family Support - Used to account for service activities associated with parenting education.

Health and Safety - Used to account for service activities associated with child care health consultants.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 7 - 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	\$ 51,092
2009	35,487
2010	25,641
2011	<u>25,641</u>
Total Minimum Lease Payments	<u>\$ 137,861</u>

Rental expense for all operating leases during the year was \$43,151.

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

NOTE 8 - RISK MANAGEMENT

The Bladen 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 Bladen 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 Bladen 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 Bladen 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 \$1,928. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - PARTNERSHIP NAME CHANGE

Effective February 16, 2007, the Bladen Partnership changed their legal name from Bladen County Partnership for Children, Inc. to Bladen Smart Start - A Partnership for Children, Inc.

Bladen Smart Start - A 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	
	Amount Advanced	Refund Due
<i>Paid to Organizations:</i>		
Bladen Community College	* \$ 43,859	\$ 0
Bladen County Health Department	* 36,583	
Bladen Family Support Initiative	* 48,275	
Southeastern Community College	68,309	(2)
Various Day Care Providers	6,122	
	<u>203,148</u>	<u>(2)</u>
<i>Paid to Individuals:</i>		
Health Insurance Reimbursements	11,904	
	<u>\$ 215,052</u>	<u>\$ (2)</u>

* These organizations are represented on the Partnership's Board as described in Note 5 - Service Provider Contracts with Board Member Organizations.

***Bladen Smart Start - A Partnership for Children, Inc.
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2007***

Schedule 2

Organization Name	DHHS Contracts
Bladen County Department of Social Services	\$ 183,840
Child Care Services Association - WAGE\$ Program	46,000
	<u>\$ 229,840</u>

* These organizations are represented on the Partnership's Board as described in Note 5 - 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 4 - Funding from Grant Awards.

***Bladen Smart Start - A Partnership for Children, Inc.
Schedule of State Awards - Modified Cash Basis
For the Year Ended June 30, 2007***

Schedule 3

<u>State Grantor/Pass-through Grantor/Program</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
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	*	\$ 480,909	\$ 480,909
Multi-County Accounting and Contracting Grant	N/A	<u>12,000</u>	<u>12,000</u>
Total State Awards		<u>\$ 492,909</u>	<u>\$ 492,909</u>

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

Bladen Smart Start - A 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	\$	16,534
Computer Equipment/Printers		<u>39,469</u>
Total Property and Equipment	\$	<u><u>56,003</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.

Bladen Smart Start - A 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:

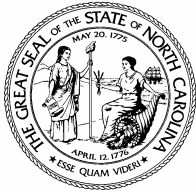
Cash	\$	461
In-Kind Goods and Services		<u>21,022</u>
	\$	<u><u>21,483</u></u>

Match Provided at the Contractor Level:

Cash	\$	109,563
In-Kind Goods and Services		<u>7,400</u>
	\$	<u><u>116,963</u></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.

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**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Bladen Smart Start - A Partnership for Children, Inc.
Elizabethtown, North Carolina

We have audited the financial statements of the Bladen Smart Start - A Partnership for Children, Inc. (Bladen Partnership) as of and for the year ended June 30, 2007, and have issued our report thereon dated May 14, 2008. 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 Bladen 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 Bladen Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bladen 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 Bladen 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 Bladen Partnership's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 Bladen Partnership's internal control.

Our consideration of the 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 the 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 Bladen 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 Bladen Partnership's Board of Directors, the management of the Bladen Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly and is not intended to be and should not be used by anyone other than these specified parties.

Leslie W. Merritt, Jr.

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

May 14, 2008

ORDERING INFORMATION

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