

FINANCIAL STATEMENT AUDIT REPORT OF

SMART START OF FORSYTH COUNTY

WINSTON-SALEM, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2008

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

**BETH A. WOOD, CPA
STATE AUDITOR**

FINANCIAL STATEMENT AUDIT REPORT

SMART START OF FORSYTH COUNTY

WINSTON-SALEM, NORTH CAROLINA

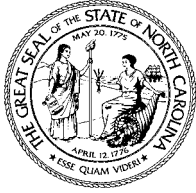
FOR THE YEAR ENDED JUNE 30, 2008

BOARD OF DIRECTORS

KARATHA SCOTT, BOARD CHAIR

ADMINISTRATIVE OFFICER

CHARLES W. KRAFT, EXECUTIVE DIRECTOR



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly E. Perdue, Governor
The General Assembly of North Carolina
Board of Directors, Smart Start of Forsyth County

This report presents the results of the financial statement audit of Smart Start of Forsyth County for the year ended June 30, 2008. Tichenor & Associates, LLP performed the audit under contract with the Office of the State Auditor, and their report is submitted herewith.

You will note from the independent auditor's report that the auditor determined that the financial statements are presented fairly in all material aspects. The results of their tests disclosed no deficiencies in internal control over financial reporting that were considered to be material weaknesses in relation to their audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Smart Start of Forsyth County
Winston-Salem, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Smart Start of Forsyth County (Forsyth Partnership) as of June 30, 2008, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Forsyth 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 Forsyth Partnership as of June 30, 2008, 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 January 7, 2009, on our consideration of the Forsyth 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

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Forsyth Partnership's basic financial statements. The information in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. These Schedules 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.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

January 7, 2009

Smart Start of Forsyth County

Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis

For the Year Ended June 30, 2008

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Fund	Other Funds		
Receipts:				
State Awards	\$ 6,305,779	\$ 2,415,053	\$ 0	\$ 8,720,832
Federal Awards		178,713	24,287	203,000
Private Contributions		42,138	2,200	44,338
Interest and Investment Earnings		16,496		16,496
Sales Tax Refunds		16,751		16,751
Other Receipts		24,161		24,161
Total Receipts	6,305,779	2,693,312	26,487	9,025,578
Net Assets Released from Restrictions: Satisfaction of Program Restrictions		15,870	(15,870)	
	6,305,779	2,709,182	10,617	9,025,578
Expenditures:				
Programs:				
Child Care and Education Affordability	1,566,377	10,244		1,576,621
Child Care and Education Quality	2,238,230	2,329		2,240,559
Family Support	689,679	5,866		695,545
Health and Safety	433,087	30,870		463,957
More at Four	774,459	2,570,172		3,344,631
Support:				
Management and General	464,030	35,810		499,840
Program Coordination and Evaluation	139,917	48		139,965
Other:				
Sales Tax Paid		15,558		15,558
Total Expenditures	6,305,779	2,670,897		8,976,676
Excess of Receipts Over Expenditures	0	38,285	10,617	48,902
Net Assets at Beginning of Year	0	140,050	17,385	157,435
Net Assets at End of Year	\$ 0	\$ 178,335	\$ 28,002	\$ 206,337
Net Assets Consisted of:				
Cash and Cash Equivalents	\$ 11,311	\$ 178,335	\$ 28,002	\$ 217,648
Refunds Due From Contractors	1,218			1,218
	12,529	178,335	28,002	218,866
Less: Due to the State	13,068			13,068
Funds Held for Others	(539)			(539)
	\$ 0	\$ 178,335	\$ 28,002	\$ 206,337

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

Smart Start of Forsyth County
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2008

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	\$ 1,566,377	\$ 49,218	\$ 0	\$ 901	\$ 2,845	\$ 5,515	\$ 0	\$ 1,507,898
Child Care and Education Quality	2,238,230	687,298	13,143	13,946	46,650	98,017	1,113	1,378,063
Family Support	689,679	48,238	11,386	3,329	38,015	8,551		580,160
Health and Safety	433,087							433,087
More at Four	774,459	211,859	345,528	7,751	14,771	26,573	870	167,107
	<u>5,701,832</u>	<u>996,613</u>	<u>370,057</u>	<u>25,927</u>	<u>102,281</u>	<u>138,656</u>	<u>1,983</u>	<u>4,066,315</u>
Support:								
Management and General	464,030	368,552	15,694	6,501	24,348	45,899	3,036	
Program Coordination and Evaluation	139,917	71,952	57,770	88	3,060	7,047		
	<u>603,947</u>	<u>440,504</u>	<u>73,464</u>	<u>6,589</u>	<u>27,408</u>	<u>52,946</u>	<u>3,036</u>	
Total Smart Start Fund Expenditures	<u>\$ 6,305,779</u>	<u>\$ 1,437,117</u>	<u>\$ 443,521</u>	<u>\$ 32,516</u>	<u>\$ 129,689</u>	<u>\$ 191,602</u>	<u>\$ 5,019</u>	<u>\$ 4,066,315</u>
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 10,244	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,244
Child Care and Education Quality	2,329				1,879			450
Family Support	5,866		2,500	1,158	1,065			1,143
Health and Safety	30,870		431	620				29,819
More at Four	2,570,172		141,342	10,800	14,237	2,891	1,350	2,399,552
	<u>2,619,481</u>		<u>144,273</u>	<u>12,578</u>	<u>17,181</u>	<u>2,891</u>	<u>1,350</u>	<u>2,441,208</u>
Support:								
Management and General	35,810	17,873	638	2,389	9,102	2,035	3,773	
Program Coordination and Evaluation	48				48			
	<u>35,858</u>	<u>17,873</u>	<u>638</u>	<u>2,389</u>	<u>9,150</u>	<u>2,035</u>	<u>3,773</u>	
Other:								
Sales Tax Paid	15,558			15,558				
Total Other Funds Expenditures	<u>\$ 2,670,897</u>	<u>\$ 17,873</u>	<u>\$ 144,911</u>	<u>\$ 30,525</u>	<u>\$ 26,331</u>	<u>\$ 4,926</u>	<u>\$ 5,123</u>	<u>\$ 2,441,208</u>

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

**SMART START OF FORSYTH COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - Smart Start of Forsyth County (Forsyth Partnership) is a legally separate nonprofit organization incorporated on December 1, 1994. The Forsyth Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Forsyth 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 Forsyth 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 Forsyth Partnership did not have any permanently restricted net assets at June 30, 2008.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. Amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. In addition, Smart Start funds advanced to the local Partnership that are unexpended and unearned at year end are recorded as 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 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 Forsyth Partnership acts in an agency capacity. At year end, the Forsyth Partnership was owed \$539 by employees for health insurance premiums paid in excess of amounts withheld from employee paychecks.
- 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, Forsyth Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 3 of this report. The Forsyth 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, 2008. Donated items are recorded at estimated fair market value at the date of donation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- I. Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.
- J. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Forsyth 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 Forsyth 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 Forsyth Partnership to a concentration of credit risk. At June 30, 2008, the Forsyth Partnership's bank deposits in excess of the FDIC insured limit was \$451,817.

NOTE 3 - FUNDING FROM GRANT AWARDS

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

Associated with these contracts, the Forsyth Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area.

The Forsyth Partnership was awarded and has received \$6,318,847 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Forsyth Partnership has returned \$12,368 of this current year contract and \$700 from the prior year contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

More at Four - The Forsyth Partnership also received revenue and support from the State of North Carolina for the More at Four Program. The Forsyth Partnership was awarded \$2,496,852 and received \$2,403,388 under a current year cost-reimbursement contract. The Forsyth Partnership expects to receive continued funding through new More at Four contracts with the State.

NOTE 4 - RELATED PARTY TRANSACTIONS

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

B. Other Related Parties - The Forsyth Partnership entered into transactions for various services (described below) with organizations that employ one or more board members of the Forsyth Partnership. The amounts paid included:

<u>Expenditures</u>	<u>Amount</u>
City Transit Bus Passes	\$ 900
Various Training Classes	1,040
	<u>\$ 1,940</u>

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

A. Program Functions

Child Care and Education Affordability - Used to account for service activities including child care subsidy programs outside of the Division of Child Development.

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

Family Support - Used to account for service activities including teen parent/child programs, ongoing parenting education, general family support, parents as teachers, community outreach, information, and resources.

Health and Safety - Used to account for service activities including oral health services, health services and support, special needs - early intervention/special education, nutrition programs, and intensive home visiting.

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

B. Support Functions

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

Program Coordination and Evaluation - 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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Other Costs - Other costs including rent, supplies and materials and communication costs (telephone and printing) were based on utilization data.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2008:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2009	\$ 181,496
2010	185,592
2011	<u>192,088</u>
Total Minimum Lease Payments	<u>\$ 559,176</u>

Rental expense for all operating leases during the year was \$183,115.

NOTE 7 - PENSION PLAN

- A. Retirement Plans** - The Forsyth Partnership has a Simplified Employee Pension plan (SEP Plan) covering all full time employees. Each full-time employee of the Forsyth Partnership, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. The Forsyth Partnership contributed 6% of gross wages for the year ended June 30, 2008. The Forsyth Partnership does not own the accounts nor is liable for any other cost other than the required contribution. The Forsyth Partnership contributed \$71,396 for pension benefits during the year.
- B. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 - RISK MANAGEMENT

The Forsyth 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 Forsyth 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 Forsyth 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 Forsyth 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, 2008, is \$50,049. 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, 2008, are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
More at Four	\$ 26,487
Oral Health Services	1,515
	<u>\$ 28,002</u>

NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2008, by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Early Intervention Coordinator	\$ 14,819
Youth Community Health Needs	1,051
	<u>\$ 15,870</u>

Smart Start of Forsyth County
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 1
Page 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Paid to Organization:				
A Better World Learning Center	\$ 17,619	\$ 0	\$ 0	\$ 0
A Child's World	92,802			
Beck's Baptist Church Child Care	3,471			
Bethlehem Community Center	* 117,344		155,038	
Career Center	5,398			
Catholic Social Services	71,672	1,068		
Ceasar's Lil Palace	4,770			
Centenary Child Care Center	19,246			
Child Care Scholarship Program	257,895		5,894	
Childcare Network	12,097			
Children's Choice Learning Center	9,132			
Childtime Learning Center	5,460			
Church Child Care	41,878		50,404	
Country Club Learning Center	17,794			
Creative Learning Center for Very Young Children	31,800			
Downtown Health Plaza of Baptist Hospital	* 80,000			
Early Enrichment Learning Center	5,407			
Emergency Child Care Expenses	13,431		4,349	
Ephesus Learning Center	2,561			
Epiphany Early Childhood Center	* 17,791			
Exchange/SCAN	45,727			
Family Services	* 12,000		209,950	
First Baptist Child Care	5,330			
First Baptist Child Development Center	16,242			
First Baptist Children's Center	29,024			
First Step Preschool	1,447			
Forsyth County Department of Public Health	* 22,416			
Forsyth County Department of Social Services	* 94,055			
Forsyth Technical Community College	* 66,538			
Freedom Baptist Day Care	1,020			

Smart Start of Forsyth County
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 1
Page 2

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Fulton YMCA Child Development	16,026			
Gentillesse Place	*	8,302		
Goodwill Industries	*	19,810		
Guys & Dolls Childcare, Inc.		6,646		
Higher Learning II		20,313		
Holy Cross Child Development Center		2,990		
Immanuel Baptist Day Care		3,963		
Imprints		452,143		
Journey to the Stars		382,980		
K J's Kiddie Land		40,957		
La Petite Academy		154,079		
Lollipop Stop		1,522		
Little Red Schoolhouse		8,269		
Mt. Zion Child Care		1,481		
New Horizons Childcare		41,897	65,160	
North Carolina Cooperative Extension Service	*	74,746		
Northwest Child Development Council, Inc.		110,959	166,467	
Oldtown Community Child Development Center		33,508		
Parkview Christian Day Care		512		
Pineview Christian Daycare		256		
Primrose School		31,851		
Quality Education Academy		18,477		
Salem College		38,282		
Sharpe Kidz		2,062		
Small Angels Daycare		3,563		
St. Anne's Day Care		6,049		
St. John's Preeschool		2,381		
The Children's Center	*	76,190		
The Special Children's School		9,795		
The Sunshine House, Inc.		125,831	149,762	
Today's Child Learning Center		1,512		
Unique Wonders Child Care		3,716		

Smart Start of Forsyth County
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 1
Page 3

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Waughtown Kids R Us	70,442			
Wee Care	3,584			
Winston-Salem Forsyth County Schools	* 124,518		1,625,290	
Winston-Salem State University	* 35,875			
Work Family Resources Center	* 417,106	150		
	<u>3,473,960</u>	<u>1,218</u>	<u>2,432,314</u>	
Paid to Individuals:				
Child Care Safety Seats			4,590	
City Transit Bus Passes - Non-Cash Grants	900			
Pre-K Books	1,080		3,854	
Salary Supplements	590,818		450	
Teacher Scholarships	775			
	<u>593,573</u>		<u>8,894</u>	
	<u>\$ 4,067,533</u>	<u>\$ 1,218</u>	<u>\$ 2,441,208</u>	<u>\$ 0</u>

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

Smart Start of Forsyth County
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2008

Schedule 2

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
Federal Awards:				
US Department of Health and Human Services - Administration for Children and Families				
Pass-through from Family Services, Inc. Head Start				
Blended Classrooms - Head Start/More at Four	93.600	N/A	<u>\$ 203,000</u>	<u>\$ 164,932</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		* N/A	6,305,779	6,305,779
Multi-County Accounting and Contracting Grant		N/A	11,665	11,665
North Carolina Department of Public Instruction, Office of School Readiness				
More at Four Pre-Kindergarten Program		* #0031-08	<u>2,403,388</u>	<u>2,403,388</u>
Total State Awards			<u>8,720,832</u>	<u>8,720,832</u>
Total Federal and State Awards			<u>\$ 8,923,832</u>	<u>\$ 8,885,764</u>

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

Smart Start of Forsyth County

Schedule of Property and Equipment - Modified Cash Basis

For the Year Ended June 30, 2008

Schedule 3

Furniture and Noncomputer Equipment	\$ 47,678
Computer Equipment/Printers	106,573
Leasehold Improvements	<u>5,425</u>
Total Property and Equipment	<u>\$ 159,676</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.

**Smart Start of Forsyth County
 Schedule of Qualifying Match (Non-GAAP)
 For the Year Ended June 30, 2008**

Schedule 4

Match Provided at the Partnership Level:

Cash	\$ 249,951
In-Kind Goods and Services	<u>397,703</u>
	<u><u>\$ 647,654</u></u>

Match Provided at the Contractor Level:

Cash	\$ 138,795
In-Kind Goods and Services	<u>266,611</u>
	<u><u>\$ 405,406</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2007-323, Section 10.19(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
Smart Start of Forsyth County
Winston-Salem, North Carolina

We have audited the financial statements of Smart Start of Forsyth County (Forsyth Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated January 7, 2009. 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 Forsyth 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 Forsyth Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Forsyth 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 Forsyth 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 Forsyth Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Forsyth 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 Forsyth 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 Forsyth 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 Forsyth Partnership's Board of Directors, management of the Forsyth Partnership, others within the Partnership, The North Carolina Partnership for Children, Inc., the Governor, and the General Assembly of North Carolina and is not intended to be and should not be used by anyone other than these specified parties.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

January 7, 2009

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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State of North Carolina
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