

**CRAVEN SMART START, INC.**  
New Bern, North Carolina

**FINANCIAL STATEMENTS**  
June 30, 2008

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

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

**FINANCIAL STATEMENT AUDIT REPORT OF**

**CRAVEN SMART START, INC.**

**NEW BERN, NORTH CAROLINA**

**FOR THE YEAR ENDED JUNE 30, 2008**

**BOARD OF DIRECTORS**

**MARGARET FAULKENBERRY, BOARD CHAIR**

**ADMINISTRATIVE OFFICER**

**PATRICIA PURNELL, EXECUTIVE DIRECTOR**



**Beth A. Wood, CPA**  
State Auditor

STATE OF NORTH CAROLINA  
**Office of the State Auditor**

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

---

**AUDITOR'S TRANSMITTAL**

---

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

This report presents the results of the financial statement audit of Craven Smart Start, Inc. for the year ended June 30, 2008. Clifton Gunderson 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 respects. 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 all audit reports issued by the Office of the State Auditor may be obtained through one of the options listed on the back of this report.

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

Beth A. Wood, CPA  
State Auditor

# TABLE OF CONTENTS

---

	PAGE
INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
EXHIBITS	
A Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis .....	4
B Statement of Functional Expenditures – Modified Cash Basis .....	5
Notes to Financial Statements .....	6
SUPPLEMENTARY SCHEDULES	
1 Schedule of Contract and Grant Expenditures – Modified Cash Basis .....	12
2 Schedule of State Level Service Provider Contracts .....	13
3 Schedule of Federal and State Awards – Modified Cash Basis .....	14
4 Schedule of Property and Equipment – Modified Cash Basis .....	15
5 Schedule of Qualifying Match (Non-GAAP) .....	16
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	17
ORDERING INFORMATION .....	19

## INDEPENDENT AUDITOR'S REPORT

---

Board of Directors  
Craven Smart Start, Inc.  
New Bern, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of Craven Smart Start, Inc. (Craven Partnership) as of and for the year ended 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 Craven 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 Craven Smart Start, Inc. as of June 30, 2008, and its receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

---

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2009 on our consideration of the Craven 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Craven Smart Start, Inc.'s basic financial statements. The information in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedules 1, 3, 4 and 5 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information in Schedule 2 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on Schedule 2.

*Clifton Gunderson LLP*

Raleigh, North Carolina  
January 31, 2009

**Craven Smart Start, Inc.****Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis  
For the Year Ended June 30, 2008****Exhibit A**

	Unrestricted Funds			Total Funds
	Smart Start Fund	Other Funds	Temporarily Restricted	
<b>Receipts:</b>				
State Awards	\$ 1,091,805	\$ 27,688	\$ -	\$ 1,119,493
Federal Awards	-	272,629	-	272,629
Private Contributions	-	9,303	8,674	17,977
Special Fund Raising Events	-	1,178	-	1,178
Sales Tax Refunds	-	5,307	-	5,307
Other Receipts	-	11,813	-	11,813
<b>Total Receipts</b>	<b>1,091,805</b>	<b>327,918</b>	<b>8,674</b>	<b>1,428,397</b>
<b>Net Assets Released from Restrictions</b>	<b>-</b>	<b>8,012</b>	<b>(8,012)</b>	<b>-</b>
	<u>1,091,805</u>	<u>335,930</u>	<u>662</u>	<u>1,428,397</u>
<b>Expenditures:</b>				
Programs:				
Child Care and Education Accessibility and Availability	47,737	-	-	47,737
Child Care and Education Affordability	59,999	-	-	59,999
Child Care and Education Quality	264,149	200,001	-	464,150
Family Support	299,440	875	-	300,315
Health and Safety	115,056	95,675	-	210,731
More at Four	116,240	-	-	116,240
Support:				
Management and General	140,167	12,850	-	153,017
Program Coordination and Evaluation	49,017	-	-	49,017
Other:				
Refund of Prior Year Grant	-	6,205	-	6,205
Sales Tax Paid	-	3,339	-	3,339
<b>Total Expenditures</b>	<b>1,091,805</b>	<b>318,945</b>	<b>-</b>	<b>1,410,750</b>
<b>Excess of Receipts Over Expenditures</b>	<b>-</b>	<b>16,985</b>	<b>662</b>	<b>17,647</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>22,124</b>	<b>9,335</b>	<b>31,459</b>
<b>Net Assets at End of Year</b>	<b>\$ -</b>	<b>\$ 39,109</b>	<b>\$ 9,997</b>	<b>\$ 49,106</b>
<b>Net Assets Consisted of:</b>				
Cash and Cash Equivalents	\$ 15,319	\$ 39,950	\$ 9,997	\$ 65,266
Refunds Due From Contractors	543	-	-	543
	<u>15,862</u>	<u>39,950</u>	<u>9,997</u>	<u>65,809</u>
Less: Due to the State	15,862	-	-	15,862
Funds Held for Others	-	841	-	841
	<u>15,862</u>	<u>841</u>	<u>-</u>	<u>16,703</u>
<b>TOTAL NET ASSETS</b>	<b>\$ -</b>	<b>\$ 39,109</b>	<b>\$ 9,997</b>	<b>\$ 49,106</b>

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

**Craven Smart Start, Inc.**  
**Statement of Functional Expenditures – Modified Cash Basis**  
**For the Year Ended June 30, 2008**

**Exhibit B**

	<b>Total</b>	<b>Personnel</b>	<b>Contracted Services</b>	<b>Supplies and Materials</b>	<b>Other Operating Expenditures</b>	<b>Fixed Charges and Other Expenditures</b>	<b>Property and Equipment Outlay</b>	<b>Services/Contracts/Grants</b>
<b>Smart Start Fund:</b>								
<b>Programs:</b>								
Child Care and Education Accessibility and Availability	\$ 47,737	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,737
Child Care and Education Affordability	59,999	-	-	-	-	-	-	59,999
Child Care and Education Quality	264,149	157,212	2,057	21,124	32,414	17,492	150	33,700
Family Support	299,440	-	83,500	-	-	-	-	215,940
Health and Safety	115,056	76,857	-	2,292	6,161	42	-	29,704
More at Four	116,240	2,700	-	-	-	-	-	113,540
	<u>902,621</u>	<u>236,769</u>	<u>85,557</u>	<u>23,416</u>	<u>38,575</u>	<u>17,534</u>	<u>150</u>	<u>500,620</u>
<b>Support:</b>								
Management and General	140,167	114,623	1,703	2,990	11,519	9,112	220	-
Program Coordination and Evaluation	49,017	42,983	741	791	2,926	1,001	575	-
	<u>189,184</u>	<u>157,606</u>	<u>2,444</u>	<u>3,781</u>	<u>14,445</u>	<u>10,113</u>	<u>795</u>	<u>-</u>
<b>Total Smart Start Fund Expenditures</b>	<b><u>\$ 1,091,805</u></b>	<b><u>\$ 394,375</u></b>	<b><u>\$ 88,001</u></b>	<b><u>\$ 27,197</u></b>	<b><u>\$ 53,020</u></b>	<b><u>\$ 27,647</u></b>	<b><u>\$ 945</u></b>	<b><u>\$ 500,620</u></b>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 200,001	\$ 157,331	\$ -	\$ 6,721	\$ 32,611	\$ 3,338	\$ -	\$ -
Family Support	875	-	-	-	875	-	-	-
Health and Safety	95,675	85,733	-	988	7,889	-	1,040	25
	<u>296,551</u>	<u>243,064</u>	<u>-</u>	<u>7,709</u>	<u>41,375</u>	<u>3,338</u>	<u>1,040</u>	<u>25</u>
<b>Support:</b>								
Management and General	12,850	4,479	5,473	31	2,494	83	290	-
<b>Other:</b>								
Refund of Prior Year Grant	6,205	-	-	-	-	-	-	6,205
Sales Tax Paid	3,339	-	-	3,339	-	-	-	-
	<u>9,544</u>	<u>-</u>	<u>-</u>	<u>3,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,205</u>
<b>Total Other Funds Expenditures</b>	<b><u>\$ 318,945</u></b>	<b><u>\$ 247,543</u></b>	<b><u>\$ 5,473</u></b>	<b><u>\$ 11,079</u></b>	<b><u>\$ 43,869</u></b>	<b><u>\$ 3,421</u></b>	<b><u>\$ 1,330</u></b>	<b><u>\$ 6,230</u></b>

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



**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** – Craven Smart Start, Inc. (Craven Partnership) is a legally separate nonprofit organization incorporated on August 6, 1998. The Craven Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Craven 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 Craven 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 Craven 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.

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.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- D. Cash and Cash Equivalents** – This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Refunds Due From Contractors** – Refunds due from contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the receivable balance is reduced. Payments to the State for the recovered advances are recorded as a reduction to the State awards balance.
- F. Due to the State** – The funding provided by the State of North Carolina for the Smart Start program is funded on a cost reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Funds Held for Others** – Funds held for others includes amounts received that are fiduciary in nature in which the Craven Partnership acts in an agency capacity. At June 30, 2008, the Craven Partnership was holding amounts withheld from employee paychecks for distribution to certain benefit accounts such as insurances and United Way donations.
- 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, Craven Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Craven 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.
- 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 Craven 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.

*Craven Smart Start, Inc.*  
*Notes to Financial Statements*  
*June 30, 2008*

---

**NOTE 2 - DEPOSITS**

All funds of the Craven 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 Craven Partnership to a concentration of credit risk. At June 30, 2008, the Craven Partnership's bank deposits in excess of the FDIC insured limit was \$22,863.

**NOTE 3 - FUNDING FROM GRANT AWARDS**

**Smart Start Program** – Craven 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 Craven Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, Craven 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, NCPC and the North Carolina Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by Craven 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.

Craven Partnership was awarded and has received \$1,107,667 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. Craven Partnership has returned \$15,862 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2008.

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

**Child Care Resource and Referral Program (CCR&R)** – Craven Partnership's other major source of revenue and support is from the North Carolina Department of Health and Human Services for a cost-reimbursement program pass-through contract with Child Care Resources, Inc. (CCRI) for the Regional Child Care Resource and Referral Program.

Craven Partnership was awarded \$246,246 under a current year and has received \$211,750 of this amount. The unexpended balance of this contract is subject to reversion to CCRI. Craven Partnership has returned \$6,094 to CCRI based on financial status reports submitted to CCRI subsequent to June 30, 2008.

Craven Partnership expects to receive continued funding through new Child Care Resource and Referral Program contracts with CCRI.

*Craven Smart Start, Inc.*  
*Notes to Financial Statements*  
*June 30, 2008*

---

**NOTE 3 - FUNDING FROM GRANT AWARDS (CONTINUED)**

**Health Check and Health Choice Program** – Craven Partnership also received revenue and support from the North Carolina Division of Medical Assistance on a pass-through contract with the Craven County Health Department for reimbursement of expenses. Craven Partnership was awarded \$67,746 and has received \$66,973 of this amount. Craven Partnership expects to receive continued funding through the North Carolina Division of Medical Assistance for this program.

**Family Support Network Program** – Craven Partnership also received revenue and support from the North Carolina Department of Health and Human Services based on a cost-reimbursement pass-through contract with the University of North Carolina at Chapel Hill (UNC-CH) for the Family Support Network Regional Services Initiative. Craven Partnership was awarded \$16,500 under a current year cost-reimbursement contract and has received \$15,087 of this amount. Craven Partnership expects to receive continued funding through new Regional contracts with UNC-CH.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

**Service Provider Contracts with Board Member Organizations** – The board members of the Craven Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Craven Partnership that board members not be involved with decisions regarding organizations they represent. During the year, Craven 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 Craven 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 Accessibility and Availability** – Used to account for service activities including increasing child care availability.

**NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)**

**A. Program Functions (continued)**

**Child Care and Education Affordability** – Used to account for service activities including pre-K classes, child care subsidy administration (Division of Child Development), part-day care programs.

**Child Care and Education Quality** - Used to account for service activities including quality enhancement grants for upgrades, child care resource and referral, salary supplements (WAGE\$).

**Family Support** – Used to account for service activities including parents as teachers, literacy programs and community outreach, information and resources.

**Health and Safety** – Used to account for service activities including child care health consultants and special needs – early intervention services/special education.

**More at Four** – Used to account for development and implementation of More at Four Pre-Kindergarten program for at risk four year olds who are at risk of failure in kindergarten.

**B. Support Function**

**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**

**Salaries and Benefits** – Direct allocation based on estimated time spent by employees for each functions as recorded on employee time reports.

*Craven Smart Start, Inc.*  
*Notes to Financial Statements*  
*June 30, 2008*

---

**NOTE 5 - FUNCTIONAL EXPENDITURES (CONTINUED)**

**C. Allocation of Joint Costs (continued)**

**Occupancy Costs** – Direct allocation based on square footage for the program or activity.

**Other Costs** – Costs such as supplies, materials and communications are directly allocated based on usage.

**NOTE 6 - OPERATING LEASE OBLIGATIONS**

Craven Partnership leased office space under a yearly operating lease expiring June 30, 2008. Rental expense for all operating leases during the year was \$20,454.

**NOTE 7 - PENSION PLAN**

**Retirement Plan** – Craven Partnership has a SIMPLE-IRA plan (Plan) covering all full-time employees that receive a minimum of \$5,000 in compensation. Each full-time employee of Craven Partnership has an option to participate in the Plan. An Individual Retirement Plan is provided to the employee through an outside financial institution. Craven Partnership makes a dollar-for-dollar matching contribution not to exceed 3% of gross wages. Craven Partnership does not own the accounts nor is it liable for any other cost other than the required contribution. Craven Partnership contributed \$9,856 for retirement benefits during the year.

**NOTE 8 - RISK MANAGEMENT**

Craven 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 Craven 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 Craven Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

*Craven Smart Start, Inc.*  
*Notes to Financial Statements*  
*June 30, 2008*

---

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

**Compensated Absences** – As a result of Craven 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 \$10,276. 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>
Basic School Age Children	\$ 76
Welcome Baby Project	2,956
Bates Foundation – Family Support Network Conference	6,674
	<u>291</u>
<b>Total</b>	<b><u>\$ 9,997</u></b>

**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:

<u>Purpose</u>	<u>Amount</u>
United Way – Parent to Parent	\$ 111
Bates Foundation – Family Support Network	<u>7,901</u>
<b>Total</b>	<b><u>\$ 8,012</u></b>

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

**Craven Smart Start, Inc.**  
**Schedule of Contract and Grant Expenditures – Modified Cash Basis**  
**For the Year Ended June 30, 2008**

**Schedule 1**

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<b>Paid to Organizations:</b>				
All About Children Daycare	\$ 40,356	\$ -	\$ -	\$ -
Bryant Chapel Preschool	59,999	-	-	-
Child Care Network	19,722	-	-	-
Coastal Community Action	* 20,406	-	-	-
Craven Cherry Point CDC	47,737	-	-	-
Craven County Cooperative Extension	* 54,094	543	-	-
Craven County Schools	* 195,445	-	-	-
Easter Seals UCP, North Carolina	29,704	-	-	-
Facility Grant Recipients	14,100	-	-	-
	<u>481,563</u>	<u>543</u>	<u>-</u>	<u>-</u>
<b>Paid to Individuals:</b>				
Education Incentive Grants	19,600	-	-	-
Parent Stipend	-	-	25	-
	<u>19,600</u>	<u>-</u>	<u>25</u>	<u>-</u>
	<u>\$ 501,163</u>	<u>\$ 543</u>	<u>\$ 25</u>	<u>\$ -</u>

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



***Craven Smart Start, Inc.***  
***Schedule of State Level Service Provider Contracts***  
***For the Year Ended June 30, 2008***

***Schedule 2***

<b>Organization Name</b>	<b>DHHS Contracts</b>
* Craven County Department of Social Services	\$ 156,560
Child Care Services Association - WAGE\$ Program	<u>496,573</u>
	<u><u>\$ 653,133</u></u>

\* This organization is represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.

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

**Craven Smart Start, Inc.**  
**Schedule of Federal and State Awards - Modified Cash Basis**  
**For the Year Ended June 30, 2008**

**Schedule 3**

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Expenditures</u>
<b>Federal Awards:</b>				
North Carolina Department of Health and Human Services Division of Child Development Pass-through from Child Care Resources, Inc. Child Care Resource and Referral Program	93.575	407-02	\$ 205,656	\$ 192,140
North Carolina Division of Medical Assistance Pass-through from Craven County Health Department Health Check and Health Choice Program	84.132		<u>66,973</u>	<u>67,746</u>
<b>Total Federal Awards</b>			<u>272,629</u>	<u>259,886</u>
<b>State Awards:</b>				
North Carolina Department of Health and Human Services Division of Child Development Pass-through from The North Carolina Partnership for Children, Inc. Early Childhood Initiatives Program *		N/A	1,091,805	1,091,805
Multi-County Accounting and Contracting Grant		N/A	11,665	10,628
North Carolina Department of Health and Human Services Division of Public Health Pass-through from the University of North Carolina - Chapel Hill Family Support Network - current year			15,087	16,500
Family Support Network - prior year			<u>936</u>	<u>-</u>
<b>Total State Awards</b>			<u>1,119,493</u>	<u>1,118,933</u>
<b>Total Federal and State Awards</b>			<u>\$ 1,392,122</u>	<u>\$ 1,378,819</u>

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

***Craven Smart Start, Inc.***  
***Schedule of Property and Equipment - Modified Cash Basis***  
***For the Year Ended June 30, 2008***

***Schedule 4***

---

Furniture and Noncomputer Equipment	\$ 21,952
Computer Equipment/Printers	<u>63,369</u>
<b>Total Property and Equipment</b>	<b><u><u>\$ 85,321</u></u></b>

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.

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

**Schedule 5**

**Match Provided at the Partnership Level:**

Cash	\$	7,752
In-Kind Goods and Services		<u>5,447</u>
	\$	<u><u>13,199</u></u>

**Match Provided at the Contractor Level:**

Cash	\$	158,590
In-Kind Goods and Services		<u>41,935</u>
	\$	<u><u>200,525</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.

**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  
Craven Smart Start, Inc.  
New Bern, North Carolina

We have audited the financial statements of the Craven Smart Start, Inc. (Craven Partnership) as of and for the year ended June 30, 2008, and have issued our report thereon dated January 31, 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 Craven 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 Craven Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Craven 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 Craven 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 Craven Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Craven 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 Craven Partnership's internal control.

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the Craven Partnership in a separate letter dated January 31, 2009.

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

*Clifton Gunderson LLP*

Raleigh, North Carolina  
January 31, 2009

## **ORDERING INFORMATION**

---

Audit reports issued by the Office of the State Auditor can be obtained from the web site at [www.ncauditor.net](http://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:

Office of the State Auditor  
State of North Carolina  
2 South Salisbury Street  
20601 Mail Service Center  
Raleigh, North Carolina 27699-0601

Telephone: 919/807-7500

Facsimile: 919/807-7647