

**FINANCIAL STATEMENT AUDIT REPORT OF
SMART START OF NEW HANOVER COUNTY, INC
WILMINGTON, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2010**

**BOARD OF DIRECTORS
BEN WRIGHT, BOARD CHAIR**

**ADMINISTRATIVE OFFICER
JANET NELSON, EXECUTIVE DIRECTOR**

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**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

C. Briggs Petway, Jr.
Roger G. Mills
Phyllis M. Pearson

Zebulon Office
P.O. Box 1036
1014 N. Arendell Ave.
Zebulon, NC 27597
919.269.7405
919.269.8728 Fax

Raleigh Office
5116 Bur Oak Cr.
Raleigh, NC 27612
919.781.1047
919.781.1052 Fax

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

Medical Group
Management
Association

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Smart Start of New Hanover County, Inc
Wilmington, North Carolina

We have audited the accompanying Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis of the Smart Start of New Hanover County, Inc (New Hanover County Partnership) as of June 30, 2010, and the related Statement of Functional Expenditures – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the New Hanover County 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 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 New Hanover County Partnership as of June 30, 2010, 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.

INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2010 on our consideration of the New Hanover County 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 New Hanover County 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.

Petway Mills & Pearson, PA
PETWAY MILLS & PEARSON, PA
Certified Public Accountants
Zebulon, North Carolina

December 14, 2010

Smart Start of New Hanover County, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2010

Exhibit A

	Unrestricted Funds		Temporarily Restricted Funds	Total Funds
	Smart Start Funds	Other Funds		
Receipts:				
State awards	\$ 1,529,768	\$ 13,144	\$ -	\$ 1,542,912
Federal awards	-	15,714	-	15,714
Private contributions	-	2,446	15,345	17,791
Special fund raising events	-	20,855	-	20,855
Interest and investment earnings	-	278	-	278
Sales tax refunds	-	1,743	-	1,743
Other Receipts	-	6,558	-	6,558
Total receipts	1,529,768	60,738	15,345	1,605,851
Net assets released from restrictions:				
Satisfaction of Program Restrictions	-	5,061	(5,061)	-
	1,529,768	65,799	10,284	1,605,851
Expenditures:				
Programs:				
Child care and education quality	684,939	17,526	-	702,465
Family support	319,576	4,332	-	323,908
Health and safety	244,443	127	-	244,570
Support:				
Management and general	190,713	22,376	-	213,089
Program coordination and evaluation	90,097	1,237	-	91,334
Other:				
Sales tax paid	-	5,185	-	5,185
Total expenditures	1,529,768	50,783	-	1,580,551
Excess of receipts over expenditures	-	15,016	10,284	25,300
Net assets at beginning of year	-	51,727	12,200	63,927
Net assets at end of year	\$ -	\$ 66,743	\$ 22,484	\$ 89,227
Net assets consisted of:				
Cash and cash equivalents	3,267	58,676	22,484	84,427
Refunds due from contractors	260	-	-	260
Subtotals	3,527	58,676	22,484	84,687
Less: Due to state	3,527	-	-	3,527
Funds held for others	-	(8,067)	-	(8,067)
Total net assets	\$ -	\$ 66,743	\$ 22,484	\$ 89,227

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

Smart Start of New Hanover County, Inc.
 Statement of Functional Expenditures - Modified Cash Basis
 For the Year Ended June 30, 2010

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants
Smart start funds								
Programs:								
Child care and education quality	\$ 684,939	\$ 385,840	\$ 69	\$ 8,846	\$ 33,631	\$ 66,371	\$ 8,756	\$ 181,426
Family support	319,576	184,342	129	9,185	26,382	20,687	5,836	73,015
Health and safety	244,443	17,323	153	684	2,988	2,452	440	220,403
	<u>1,248,958</u>	<u>587,505</u>	<u>351</u>	<u>18,715</u>	<u>63,001</u>	<u>89,510</u>	<u>15,032</u>	<u>474,844</u>
Support:								
Management and general	190,713	158,462	4,351	1,472	8,861	17,160	407	-
Program coordination and evaluation	90,097	77,180	-	1,575	4,282	6,760	300	-
	<u>280,810</u>	<u>235,642</u>	<u>4,351</u>	<u>3,047</u>	<u>13,143</u>	<u>23,920</u>	<u>707</u>	<u>-</u>
Total smart start fund expenditures	\$ 1,529,768	\$ 823,147	\$ 4,702	\$ 21,762	\$ 76,144	\$ 113,430	\$ 15,739	\$ 474,844
Other funds:								
Programs:								
Child care and education quality	\$ 17,526	\$ 14,864	\$ -	\$ 1,110	\$ 1,369	\$ -	\$ -	\$ 183
Family support	4,332	151	-	-	177	-	366	3,638
Health and safety	127	-	-	-	127	-	-	-
	<u>21,985</u>	<u>15,015</u>	<u>-</u>	<u>1,110</u>	<u>1,673</u>	<u>-</u>	<u>366</u>	<u>3,821</u>
Support:								
Management and general	22,376	5,628	9,068	359	2,515	4,010	664	132
Program coordination and evaluation	1,237	1,237	-	-	-	-	-	-
	<u>23,613</u>	<u>6,865</u>	<u>9,068</u>	<u>359</u>	<u>2,515</u>	<u>4,010</u>	<u>664</u>	<u>132</u>
Other:								
Sales tax paid	5,185	-	-	5,185	-	-	-	-
	<u>5,185</u>	<u>-</u>	<u>-</u>	<u>5,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	\$ 50,783	\$ 21,880	\$ 9,068	\$ 6,654	\$ 4,188	\$ 4,010	\$ 1,030	\$ 3,953

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. **Organization and Purpose** – The Smart Start of New Hanover County, Inc. (New Hanover County Partnership) is a legally separate nonprofit organization incorporated on April 18, 1995. The New Hanover County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The New Hanover 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 New Hanover County Partnership's Board of Directors is responsible. Pursuant to the provisions of Financial Accounting Standards Board's Accounting Standards for *Not-For-Profit Entities*, the accompanying financial statements present information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this 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 New Hanover County Partnership did not have any permanently restricted net assets at June 30, 2010.

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 we earned; and it recognizes expenditures when paid rather than when incurred.

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. Additionally, Smart Start funds advanced to the Local Partnership that are unexpended and unearned at year end are recorded as funds Due to the State.

D. **Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis and includes all demand and savings accounts and 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 unexpected 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 New Hanover County Partnership acts in an agency capacity. For the year ended, the New Hanover County Partnership was holding amounts withheld from employee paychecks for distribution of future insurance premiums.
- H. **Property and Equipment** – Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year occurred. However, New Hanover County Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The New Hanover County 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, 2010. 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 New Hanover County Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.
- K. **Income Taxes** – The New Hanover County Partnership is exempt from payment of income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except to the extent of taxes on any unrelated business income.

FASB ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing financial statements to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. The adoption of FASB ASC 740 did not have a significant impact on the financial statements of the New Hanover County Partnership.

- L. **FASB Codification** – In June 2009, the FASB Accounting Standards Codification (ASC) was issued. The Codification is the source of authoritative U.S. GAAP recognized by the Financial Accounting Standards Board (FASB) to be applied to nongovernmental entities. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard did not have a material impact on the New Hanover County Partnership's financial statements.

NOTE 2 - DEPOSITS

All funds of the New Hanover Partnership are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Deposits over this amount subject the New Hanover County Partnership to a concentration of credit risk. At June 30, 2010, the New Hanover County Partnership did not have any bank deposits not insured by the FDIC.

NOTE 3 - FUNDING FROM GRANT AWARDS

Smart Start Program – The New Hanover County 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 New Hanover County Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the New Hanover County 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 New Hanover County 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 New Hanover County Partnership was awarded and received \$1,533,372 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The New Hanover County Partnership has returned \$3,527 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2010.

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

Regional Child Care Resource & Referral Program (CCR&R) – The New Hanover County Partnership received revenue and support from the North Carolina Department of Health and Human Services based on a cost reimbursement pass-through contract with (Regional CCR&R) for the Regional Child Care Resource & Referral Program.

The New Hanover County Partnership was awarded \$14,750 and has received \$15,714 under a current year contract.

The New Hanover County Partnership expects to receive continued funding through new Regional Child Care Resource & Referral Program contracts with the Regional CCR&R.

NOTE 4 - RELATED PARTY TRANSACTIONS

- A. **Service Provider Contracts with Board Member Organizations** – The board members of the New Hanover County Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the New Hanover County Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the New Hanover County 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 New Hanover County Partnership’s Smart Start Allocation.
- B. **Other Related Parties** – The New Hanover County Partnership entered into transactions for contracted services with a private business associated with board member of the New Hanover County Partnership. The amounts paid included:

<u>Expenditures</u>	<u>Amount</u>
T.R.L. Real Estate	\$ 105,179
Aramark - UNCW	2,484
Wilmington Parent - Seaside Media	1,380
UNC - Wilmington	<u>26</u>
	<u>\$ 109,069</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:

- A. Program Functions
- Child Care and Education Affordability** – Used to account for service activities including or associated with child care subsidy administration (Division of Child Development)
- Child Care and Education Quality** – Used to account for service activities including quality enhancement grants for upgrades, quality enhancement grants for maintenance, professional development, salary supplements, provider training, mentoring programs, health/safety training for child care professionals, special needs – support for child care professionals, learning materials and teaching aids, curriculum enhancements, kindergarten transition.
- Family Support** – Used to account for service activities including parenting skills training, teen parent/child programs, general family support, community outreach information and resources, or family support needs and resources assessments.
- Health and Safety** – Used to account for service activities including comprehensive health services, prenatal/newborn services, child care health consultants,

comprehensive health support, special needs – early intervention services/special education, nutrition programs.

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.

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

NOTE 6 - LEASE OBLIGATIONS

A. Operating Lease Obligations – Future minimum lease payments under noncancelable operating leases consist of the following at June 30, 2010:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2011	\$ 108,706
2012	46,066
2013	372
2014	279
Total Minimum Lease Payments	<u>\$ 155,423</u>

Rental expense for all operating leases during the year was \$105,551.

B. **Capital Lease Obligations** – Capital lease obligations relating to Copier equipment are recorded at the present value of the minimum lease payments. Future minimum lease payments under capital lease obligations consist of the following at June 30, 2010:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2011	\$ 1,952
2012	1,952
2013	1,952
2014	1,952
2015	<u>581</u>
Total Minimum Lease Payments	<u>\$ 8,389</u>

NOTE 7 - PENSION PLAN

A. **IRC Section 403(b) Plan** - All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the New Hanover County Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. The New Hanover County Partnership contributed 3% of gross wages for the year ended June 30, 2010. 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. The New Hanover County Partnership contributed \$17,364 for retirement benefits during the year.

NOTE 8 - RISK MANAGEMENT

The New Hanover County 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 New Hanover County 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 New Hanover County Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

A. **Compensated Absences** – As a result of the New Hanover County 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, 2010, is \$24,299. 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, 2010 are available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Wilmington CF Rotary for Intervention/Inclusion Classroom	\$ 46
General Mill - Health Kids - Obesity Program	10,000
Landfall Parenting Project	305
Share The Care DSS	7,130
Corning - Resources for Connections Center	5,000
JR League Raising A Reader Materials	3
	<u>\$ 22,484</u>

B. **Net Assets Released From Donor Restrictions** -- Net assets were released from donor restrictions during the fiscal year ended June 30, 2010, by incurring expenditures satisfying the restricted purposes as follows:

<u>Purpose</u>	<u>Amount</u>
US Coast Guard Basket for Military Children	\$ 1,140
Landfall Parenting Project	2,667
JR League Raising A Reader Materials	997
CF United Way Afterschool Childcare	257
	<u>\$ 5,061</u>

NOTE 11 - SUBSEQUENT EVENTS

The New Hanover County Partnership has evaluated events and transactions that occurred between June 30, 2010 and November 30, 2010, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2010.

Smart Start of New Hanover County, Inc.
 Statement of Contract and Grant Expenditures - Modified Cash Basis
 For the Year Ended June 30, 2010

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
Adventure World	\$ 1,000	\$ -	\$ -	\$ -
All Star Childcare	-	-	535	-
Alphabet Soup	-	-	534	-
Child Development Center, Inc	1,000	-	-	-
Childcare Network (#127 & #128)	4,437	-	-	-
Children 1st Preschool	5,216	-	534	-
Children's Cottage of Wilmington	1,000	-	561	-
Communities in Schools (Baby FAST)	51,613	90	-	-
Easter Seals UCP (Intervention/Inclusion)	203,413	-	-	-
Gateway Academy Child Center	1,000	-	-	-
Happy Kids Development Center	1,000	-	-	-
Kerr Avenue Kids	8,219	-	-	-
Kids & Co. Child Care Center	1,000	-	-	-
Milestones Learning Center	1,000	-	-	-
New Hanover County Government (CCN, GR, RAR)	136,263	170	535	-
New Hanover Regional Medical Center	-	-	2	-
Noah's Ark	-	-	57	-
Noah's Ark	1,000	-	-	-
Park Avenue School	1,000	-	-	-
Progressive Child Development	5,259	-	61	-
Rising Stars	5,163	-	-	-
Spec Preschool (#2 & #7)	2,000	-	-	-
Total Child Care Center, Inc	6,301	-	26	-
Training Up A Child	6,406	-	-	-
	<u>443,290</u>	<u>260</u>	<u>2,845</u>	<u>-</u>
Individuals:				
Baskets to Coast Guard Families	-	-	971	-
Blue Bags to Parents and Children	-	-	62	-
Individuals	3,318	-	-	-
ECC Focus Group Stipends	7,650	-	-	-
Gift Cards to Individual Parents completing survey	-	-	75	-
Professional Development Incentives	20,350	-	-	-
RIF Program - Books to Families	496	-	-	-
	<u>31,814</u>	<u>-</u>	<u>1,108</u>	<u>-</u>
	<u>\$ 475,104</u>	<u>\$ 260</u>	<u>\$ 3,953</u>	<u>\$ -</u>

* These organizations are represented on the Smart Start of New Hanover County's Board as described in Note 4A - Service Provider Contracts with Board Member Organizations.

Smart Start of New Hanover County, Inc.
 Schedule of State Level Service Provider Contracts
 For the Year Ended June 30, 2010

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGES	\$ 119,251
New Hanover County Department of Social Services *	740,665
	<u>\$ 859,916</u>

* These organizations are represented on the Smart Start of New Hanover County's Board as described in Note 4A - 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.

Federal/State Grantor/Pass-through Grantor Program	Federal CFDA Number	Contract #	Receipts	Expenditures
Federal Awards:				
U.S. Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services - Division of Child Development				
Pass-through from Child Care Resources Incorporated (CCRI)				
Child Care Resource and Referral	93.575	607-04-04	\$ 15,714	\$ 15,150
U.S. Coast Guard Child Fund	P7257/BE	23-04-2743P7257	-	1,141
Total Federal Awards			15,714	16,291
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 (Prior Year)	N/A		(77)	(77)
Early Childhood Initiatives Program (Current Year)	* N/A		1,529,845	1,529,845
Multi-Partnership Accounting and Contracting Grant	N/A		13,144	13,144
North Carolina Department of Public Instruction, Office of School Readiness				
Total State Awards			1,542,912	1,542,912
Total Federal and State Awards			\$ 1,558,626	\$ 1,559,203

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

Smart Start of New Hanover County, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2010

Schedule 4

Furniture and Noncomputer Equipment	\$ 40,712
Computer Equipment/Printers	74,688
Leasehold Improvements	85,057
Total Property and Equipment	<u><u>\$ 200,457</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 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 New Hanover County, Inc.
Schedule of Qualifying Match (Non-GAAP)
For the Year Ended June 30, 2010

Schedule 5

Match Provided at the Partnership Level:

Cash	\$	35,415
In-Kind Goods and Services		<u>14,370</u>
	\$	<u><u>49,785</u></u>

Match Provided at the Contractor Level:

Cash	\$	153,316
In-Kind Goods and Services		<u>149,430</u>
	\$	<u><u>302,746</u></u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2009-451, Section 10.7 (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.