

FINANCIAL STATEMENT AUDIT REPORT OF  
PARTNERSHIP FOR CHILDREN OF CUMBERLAND  
COUNTY, INC.

FAYETTEVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2020

BOARD OF DIRECTORS

CHAS SAMPSON, BOARD CHAIR

ADMINISTRATIVE OFFICER

MARY SONNENBERG, PRESIDENT

Partnership for Children of Cumberland County, Inc.

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## Independent Auditor's Report

To Board Members of  
Partnership for Children of Cumberland County, Inc.  
Fayetteville, North Carolina

### Report on Financial Statements

We have audited the accompanying financial statements of Partnership for Children of Cumberland County, Inc., which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2020, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Receipts, Expenditures and Net Assets of the Partnership for Children of Cumberland County, Inc., as of and for the year ended June 30, 2020, and the Statement of Functional Expenditures for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

### *Other Matters*

#### *Basis of Accounting*

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

### Report on Supplementary Information

Schedule 2 on page 25 and Schedule 5 on page 28 are not a required part of the basic financial statements but is supplementary information required by the North Carolina Office of the State Auditor. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion or provide any assurance on Schedules 2 and 5.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2021, on our consideration of Partnership for Children of Cumberland County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Partnership for Children of Cumberland County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Partnership for Children of Cumberland County, Inc.'s internal control over financial reporting and compliance.



Charlotte, North Carolina  
March 3, 2021

**Partnership for Children of Cumberland County, Inc.**  
**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis**  
**For the Year Ended June 30, 2020**

**Exhibit A**

|  | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total<br>Funds      |
|--|----------------------------------|-------------------------------|---------------------|
| <b>Receipts:</b>   |                                  |                               |                     |
| State Awards and Contracts                               | \$ 5,536,468                     | \$ 1,282                      | \$ 5,537,750        |
| Federal Awards   | 7,622,049                        | -                             | 7,622,049           |
| Private Contributions                                    | 33,299                           | 56,329                        | 89,628              |
| Special Fund Raising Events                              | 10,305                           | 429                           | 10,734              |
| Interest and Investment Earnings                         | 6,628                            | -                             | 6,628               |
| Sales Tax Refunds  | 16,231                           | -                             | 16,231              |
| Other Receipts   | 389,976                          | -                             | 389,976             |
| <b>Total Receipts</b>                                    | <b>13,614,956</b>                | <b>58,040</b>                 | <b>13,672,996</b>   |
| Net Assets Released from Restrictions:                   |                                  |                               |                     |
| Satisfaction of Program Restrictions                     | 29,161                           | (29,161)                      | -                   |
|  | <b>13,644,117</b>                | <b>28,879</b>                 | <b>13,672,996</b>   |
| <b>Expenditures:</b>                                     |                                  |                               |                     |
| Programs:  |                                  |                               |                     |
| Child Care and Education Affordability                   | 787,397                          | -                             | 787,397             |
| Child Care and Education Quality                         | 1,972,143                        | -                             | 1,972,143           |
| Family Support   | 925,738                          | -                             | 925,738             |
| Health and Safety  | 270,085                          | -                             | 270,085             |
| NC Pre-K   | 8,464,554                        | -                             | 8,464,554           |
| Support:   |                                  |                               |                     |
| Fund Raising   | 15,000                           | -                             | 15,000              |
| Management and General                                   | 767,417                          | -                             | 767,417             |
| Program Planning, Coordination and Evaluation            | 309,775                          | -                             | 309,775             |
| Other:   |                                  |                               |                     |
| IT Support and Services                                  | 112,165                          | -                             | 112,165             |
| Refund Prior Year Grant                                  | 29,345                           | -                             | 29,345              |
| Sales Tax Paid   | 17,350                           | -                             | 17,350              |
| <b>Total Expenditures</b>                                | <b>13,670,969</b>                | <b>-</b>                      | <b>13,670,969</b>   |
| <b>Excess (Deficiency) of Receipts Over Expenditures</b> | <b>(26,852)</b>                  | <b>28,879</b>                 | <b>2,027</b>        |
| <b>Net Assets at Beginning of Year</b>                   | <b>1,068,240</b>                 | <b>165,072</b>                | <b>1,233,312</b>    |
| <b>Net Assets at End of Year</b>                         | <b>\$ 1,041,388</b>              | <b>\$ 193,951</b>             | <b>\$ 1,235,339</b> |
| <b>Net Assets Consisted of:</b>                          |                                  |                               |                     |
| Cash and Cash Equivalents                                | \$ 1,206,470                     | \$ 162,567                    | \$ 1,369,037        |
| Investments  | 273,411                          | -                             | 273,411             |
| Beneficial Interest in Community Foundation              | -                                | 31,384                        | 31,384              |
| Refunds Due From Contractors                             | 2,415                            | -                             | 2,415               |
|  | <b>1,482,296</b>                 | <b>193,951</b>                | <b>1,676,247</b>    |
| Less: Due to State                                       | 425,592                          | -                             | 425,592             |
| Funds Held for Others                                    | 15,316                           | -                             | 15,316              |
| <b>Total Net Assets</b>                                  | <b>\$ 1,041,388</b>              | <b>\$ 193,951</b>             | <b>\$ 1,235,339</b> |

The Accompanying Notes are an Integral Part of the Financial Statements.

Partnership for Children of Cumberland County, Inc.  
 Statement of Functional Expenditures - Modified Cash Basis  
 For the Year Ended June 30, 2020

Exhibit B

|   | <u>Total</u>         | <u>Personnel</u>    | <u>Contracted Services</u> | <u>Supplies and Materials</u> | <u>Other Operating Expenditures</u> | <u>Fixed Charges and Other Expenditures</u> | <u>Property and Equipment Outlay</u> | <u>Services/Contracts/Grants</u> |
|---|----------------------|---------------------|----------------------------|-------------------------------|-------------------------------------|---|--------------------------------------|----------------------------------|
| <b>Smart Start Fund:</b>                      |                      |                     |                            |                               |                                     |   |                                      |                                  |
| <b>Programs:</b>                              |                      |                     |                            |                               |                                     |   |                                      |                                  |
| Child Care and Education Affordability        | \$ 757,397           | \$ 7,150            | \$ -                       | \$ -                          | \$ -                                | \$ -  | \$ -                                 | \$ 750,247                       |
| Child Care and Education Quality              | 1,260,024            | 896,581             | 111,742                    | 48,222                        | 74,775                              | 14,478                                      | 11,650                               | 102,576                          |
| Family Support                                | 677,828              | 443,066             | 77,121                     | 11,987                        | 63,371                              | 6,679                                       | 14,448                               | 61,156                           |
| Health and Safety                             | 254,007              | 10,000              | 90,000                     | -                             | -                                   | -   | -                                    | 154,007                          |
| NC Pre-K                                      | 76,206               | -                   | -                          | -                             | -                                   | -   | -                                    | 76,206                           |
|   | <u>3,025,462</u>     | <u>1,356,797</u>    | <u>278,863</u>             | <u>60,209</u>                 | <u>138,146</u>                      | <u>21,157</u>                               | <u>26,098</u>                        | <u>1,144,192</u>                 |
| <b>Support:</b>                               |                      |                     |                            |                               |                                     |   |                                      |                                  |
| Fund Raising                                  | 15,000               | 7,512               | -                          | 5,014                         | 1,041                               | 1,433                                       | -                                    | -                                |
| Management and General                        | 316,849              | 229,324             | 29,074                     | 8,970                         | 27,865                              | 16,005                                      | 5,611                                | -                                |
| Program Planning, Coordination and Evaluation | 270,400              | 168,048             | 32,583                     | 39,537                        | 23,463                              | 3,272                                       | 3,497                                | -                                |
|   | <u>602,249</u>       | <u>404,884</u>      | <u>61,657</u>              | <u>53,521</u>                 | <u>52,369</u>                       | <u>20,710</u>                               | <u>9,108</u>                         | <u>-</u>                         |
| <b>Total Smart Start Fund Expenditures</b>    | <u>\$ 3,627,711</u>  | <u>\$ 1,761,681</u> | <u>\$ 340,520</u>          | <u>\$ 113,730</u>             | <u>\$ 190,515</u>                   | <u>\$ 41,867</u>                            | <u>\$ 35,206</u>                     | <u>\$ 1,144,192</u>              |
| <b>Other Funds:</b>                           |                      |                     |                            |                               |                                     |   |                                      |                                  |
| <b>Programs:</b>                              |                      |                     |                            |                               |                                     |   |                                      |                                  |
| Child Care and Education Affordability        | \$ 30,000            | \$ -                | \$ -                       | \$ -                          | \$ -                                | \$ -  | \$ -                                 | \$ 30,000                        |
| Child Care and Education Quality              | 712,119              | 555,279             | 30,647                     | 9,979                         | 40,224                              | 6,882                                       | 4,671                                | 64,437                           |
| Family Support                                | 247,910              | 53,544              | 30,750                     | 4,598                         | 86,622                              | 37,880                                      | 34,436                               | 80                               |
| Health and Safety                             | 16,078               | 14,507              | 65                         | 291                           | 71                                  | -   | 1,144                                | -                                |
| NC Pre-K                                      | 8,388,348            | 243,665             | 51,448                     | 6,615                         | 25,254                              | 3,496                                       | 4,381                                | 8,053,489                        |
|   | <u>9,394,455</u>     | <u>866,995</u>      | <u>112,910</u>             | <u>21,483</u>                 | <u>152,171</u>                      | <u>48,258</u>                               | <u>44,632</u>                        | <u>8,148,006</u>                 |
| <b>Support:</b>                               |                      |                     |                            |                               |                                     |   |                                      |                                  |
| Management and General                        | 450,568              | 422,615             | 16,682                     | 1,212                         | 8,250                               | 861   | 948                                  | -                                |
| Program Planning, Coordination and Evaluation | 39,375               | 26,445              | 232                        | 8,505                         | 3,771                               | 422   | -                                    | -                                |
| IT Support and Services                       | 112,165              | 304,204             | (218,912)                  | 11,022                        | 11,729                              | 1,178                                       | 2,944                                | -                                |
|   | <u>602,108</u>       | <u>753,264</u>      | <u>(201,998)</u>           | <u>20,739</u>                 | <u>23,750</u>                       | <u>2,461</u>                                | <u>3,892</u>                         | <u>-</u>                         |
| <b>Other:</b>                                 |                      |                     |                            |                               |                                     |   |                                      |                                  |
| Refund of Prior Year Grant                    | 29,345               | -                   | -                          | -                             | -                                   | 29,345                                      | -                                    | -                                |
| Sales Tax Paid                                | 17,350               | -                   | -                          | 17,350                        | -                                   | -   | -                                    | -                                |
|   | <u>46,695</u>        | <u>-</u>            | <u>-</u>                   | <u>17,350</u>                 | <u>-</u>                            | <u>29,345</u>                               | <u>-</u>                             | <u>-</u>                         |
| <b>Total Other Funds Expenditures</b>         | <u>\$ 10,043,258</u> | <u>\$ 1,620,259</u> | <u>\$ (89,088)</u>         | <u>\$ 59,572</u>              | <u>\$ 175,921</u>                   | <u>\$ 80,064</u>                            | <u>\$ 48,524</u>                     | <u>\$ 8,148,006</u>              |

The Accompanying Notes are an Integral Part of the Financial Statements.

**PARTNERSHIP FOR CHILDREN OF CUMBERLAND COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization and Purpose** - The Partnership for Children of Cumberland County, Inc. (Cumberland County Partnership) is a legally separate nonprofit organization incorporated on December 2, 1993. The Cumberland County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Cumberland County 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 Cumberland County Partnership's Board of Directors is responsible. Pursuant to the provisions of the Financial Accounting Standards Board's Accounting Standards for *Not-For-Profit Entities*, the accompanying financial statements present information according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions are the part of net assets not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Net assets with donor restrictions are the part of net assets subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). As permitted by this Standard, contributions with donor restrictions received and expended in the same year are reported as receipts without donor restrictions rather than receipts with donor restrictions.

Contributions with donor restrictions that are not expended within the year received are reported as an increase in net assets with donor restrictions. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Receipts, Expenditures, and Net Assets as net assets released from restrictions.

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

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



Partnership that are unexpended and unearned at year end are recorded as funds Due to the State.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis and includes all demand and savings accounts and certificate of deposits or short-term investments with an original maturity of three months or less.
- E. Investments** - This classification includes money market funds, certificates of deposit for which the original maturity term exceeds three months, and E-Trade funds. Under the modified cash basis of accounting, investments in marketable securities are reported at cost, which may differ significantly from their fair values.
- F. Beneficial Interest in Community Foundation** - This classification consists of funds invested with Cumberland Community Foundation, Inc. as reported in Note 15. These amounts are included in the amounts shown in the With Donor Restrictions column of Exhibit A and represent the irrevocable principle in an endowment fund as described more fully in Note 16.
- G. Refunds Due From Contractors** - Refunds Due from Contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the advances are recorded as a reduction to the State awards balance.
- H. 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.
- I. Funds Held For Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which the Cumberland County Partnership acts in an agency capacity. For the year ended June 30, 2020, the Cumberland County Partnership was holding amounts withheld from employee paychecks related to the dental and vision insurance plans and employee benefits to be distributed to the appropriate party and rental security deposits from tenants. The Cumberland County Partnership also distributed amounts on behalf of employees for the health insurance and flexible spending plans that will be collected from employee paychecks subsequent to June 30, 2020. The amounts are as follows:

|                          |                         |
|--------------------------|-------------------------|
| Tenant Security Deposits | \$ 23,350               |
| Dental Insurance Plan    | 19                      |
| Vision Insurance Plan    | 6                       |
| Flexible Spending Plan   | (847)                   |
| Health Insurance Plan    | <u>(7,212)</u>          |
|                          | <u><u>\$ 15,316</u></u> |

- J. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Cumberland County Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Cumberland 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, 2020. Donated items are recorded on the property and equipment log at estimated acquisition value at the date of donation, which is defined as the price that would be paid to acquire an asset with equivalent service capacity in an orderly market transaction at the acquisition date.
- K. 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 10A.
- L. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Cumberland 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.
- M. Qualifying Match and Contributions In-Kind** - The Cumberland County Partnership, in accordance with applicable Smart Start legislation, reports qualifying match provided at both the Partnership and the contractor level; the qualifying match is reported in supplemental Schedule 5. The match includes cash received and expended at the Partnership level, which is included in the modified cash basis financial statements. The qualifying match reported on Schedule 5 for cash provided at the contractor level and for in-kind goods and services at both the Partnership and contractor levels is not recorded in the modified cash basis financial statements. In-kind contributions can be donated equipment, supplies, office space, or services. The Cumberland County Partnership also benefits from donated volunteer hours which do not require specific expertise but which are nonetheless central to the Cumberland County Partnership's operations. See supplemental Schedule 5 for more information on contributions in-kind.

**NOTE 2 - DEPOSITS**

- A. Deposits** - All funds of the Cumberland County Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 (per bank).

Deposits over insured amounts subjects the Cumberland County Partnership to a concentration of credit risk. At June 30, 2020, the Cumberland County Partnership's bank deposits in excess of the FDIC insured limit was \$1,437,618.

**B. Investments** - The Cumberland County Partnership prepares its financial statements on the modified cash basis of accounting. Investments are reported at cost on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of June 30, 2020 as follows:

|                        | <u>Cost</u>       | <u>Unrealized<br/>Gains</u> | <u>Unrealized<br/>Losses</u> | <u>Fair Value</u> |
|------------------------|-------------------|-----------------------------|------------------------------|-------------------|
| Stocks                 | \$ 68,000         | \$ 4,954                    | \$ -                         | \$ 72,954         |
| Certificate of Deposit | <u>200,000</u>    | <u>5,412</u>                | <u>-</u>                     | <u>205,412</u>    |
| Total                  | <u>\$ 268,000</u> | <u>\$ 10,366</u>            | <u>\$ -</u>                  | <u>\$ 278,366</u> |

The Cumberland County Partnership records interest and dividend earnings and realized gains and losses in the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis under the heading interest and investment earnings. Investment fees are recorded in the bank charges expense account and reported as management and general expenditures.

Interest and investment earnings for the year ended June 30, 2020 are as follows:

Investment Earnings - Certificates of Deposit     \$ 5,411

**NOTE 3 - FAIR VALUE MEASUREMENT**

ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820-10 defines levels within the hierarchy based on the reliability of inputs as follows:

**Level 1** - Inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets may include securities that are traded in an active exchange market, or actively traded over-the-counter markets.

**Level 2** - Valuation is based on directly or indirectly observable inputs other than quoted prices included within Level 1 such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable or can be corroborated to observable market data for substantially the full term of the asset or liability.

**Level 3** - Valuation is based on unobservable inputs for the asset or liability. Level 3 assets may include financial instruments whose value is determined using pricing models with internally developed assumptions, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

**Money Market Mutual Funds** - Money market mutual funds are valued at a stable \$1.00 net asset value which is the value at which the fund is traded and approximates fair value based on the fair value of the underlying investments. Such securities are classified within Level 2 of the valuation hierarchy.

**Corporate Stocks** - Valued based on quoted market prices in active markets at year end.

The following table sets forth by level within the fair value hierarchy, the Partnership's investments as of June 30, 2020:

|                        | <u>Level 1</u>    | <u>Level 2</u> | <u>Level 3</u> | <u>Total Fair Value</u> |
|------------------------|-------------------|----------------|----------------|-------------------------|
| Stocks                 | \$ 68,000         | \$ -           | \$ -           | \$ 68,000               |
| Certificate of Deposit | 205,411           | -              | -              | 205,411                 |
| Total                  | <u>\$ 273,411</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 273,411</u>       |

**NOTE 4 - FUNDING FROM GRANT AWARDS AND CONTRACTS**

**Smart Start Program** - One of the Cumberland County Partnership's major sources 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 Cumberland County Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Cumberland 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 Cumberland 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 Cumberland County Partnership was awarded and has received \$4,057,976 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Cumberland County Partnership has refunded \$425,592 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2020. The Cumberland County Partnership also refunded \$4,673 of a prior year contract during the year ended June 30, 2020.

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

**Multi-Partnership Accounting and Contracting Grant** - The Cumberland County Partnership was awarded \$101,000, received \$98,092 and expended \$97,790 under a current year contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Cumberland County Partnership has refunded \$302 of this contract to the State based on financial status reports submitted to NCPC during June 30, 2020. The Cumberland County Partnership expects to receive continued funding through new contracts with the State.

**Child Care Development Grant Program (DCDEE Grant)** - The Cumberland County Partnership also received revenue and support passed through from DCDEE based on cost-reimbursement grant contracts with Southwestern Child Development Commission, Inc. (SWCDC) for the Child Care Development Grant Program (DCDEE Grant). The Cumberland County Partnership is the Region 5 Lead Agency for this grant.

The Cumberland County Partnership was awarded \$796,555 under three (3) current year grant contracts with SWCDC and has received \$672,610 and expended \$644,151 of this amount. The unexpended balances of these grant contracts are subject to reversion to SWCDC. The Cumberland County Partnership has returned \$55,263 of these contracts to the SWCDC based on financial status reports submitted to SWCDC subsequent to June 30, 2020. The Cumberland County Partnership also refunded \$29,193 of a prior year grant contract during the year ended June 30, 2020.

The Cumberland County Partnership expects to receive continued funding through new DCDEE Grant contracts with SWCDC.

**NC Pre-K** - Cumberland County Partnership's major source of revenue and support was from DHHS and the State of North Carolina for the North Carolina Pre-Kindergarten Program (NC Pre-K). A significant reduction in the level of funding from the State could have an adverse effect on the operations of the Cumberland County Partnership and represents a concentration of credit risk as to the generation of revenue.

The Cumberland County Partnership was awarded \$9,098,098 and received \$8,729,845 and expended \$8,701,028 under a current year financial assistance contract and expended \$151 under a prior year contract as of June 30, 2020. However, the final current year's reimbursement of \$38,344 was received from DCDEE subsequent to June 30, 2020. The Cumberland County Partnership expects to receive continued funding of the preschool program through new

contracts with the State. The Cumberland County Partnership also refunded \$754 of a prior year contract during the year ended June 30, 2020.

**Dolly Parton's Imagination Library (DPIL)** - Cumberland County Partnership was awarded \$33,526, received \$30,000 and expended \$32,244 under a current year contract with NCPC. As allowed by program regulation, the unexpended balance of the current year contract is available to carry-forward to the subsequent year.

The Cumberland County Partnership expects to receive continued funding of the DPIL program through new contracts with NCPC.

**Mid-Carolina Area Agency on Aging** - Cumberland County Partnership was awarded \$4,500, received \$2,433 and expended \$4,500 under a current year contract with Mid-Carolina Area on Aging.

The Cumberland County Partnership expects to receive continued funding through new contracts with Mid-Carolina Area on Aging.

**NOTE 5 - RELATED PARTY TRANSACTIONS**

**Service Provider Contracts with Board Member Organizations**

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

**NOTE 6 - FUNCTIONAL EXPENDITURES**

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

**A. Program Functions**

**Child Care and Education Affordability** - Used to account for service activities including and associated with State subsidy contract and services support (Division of Child Development and Early Education) [DCDEE], Head Start wraparound/extended day, dual subsidy and dual subsidy administration. Head Start classrooms and coordination, child care transportation for subsidized children, part-day subsidy programs, subsidy

preschool classes and public pre-K subsidy. Also, support for part-day programs for children not in full-time care.

**Child Care and Education Quality** - Used to account for service activities including *or* associated with child care resource and referral and professional development and supplements.

**Family Support** - Used to account for service activities including *or* associated with family resource centers, ongoing parenting education, literacy or family literacy projects and community systems building and public awareness.

**Health and Safety** - Used to account for service activities including *or* associated with Assuring Better Child Health and Development (ABCD), prenatal/newborn services and early intervention services/special education.

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

## **B. Support Functions**

**Fund Raising** - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

**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 Planning, Coordination and Evaluation** - Expenditures that are incurred to coordinate the policies, procedures, daily practices, and evaluation of service delivery, needs assessment and strategic planning. Also, costs associated with providing technical assistance, 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 (utilities and maintenance), supplies and materials, and communication costs (telephone, printing and postage) were indirectly allocated based on utilization data.

**NOTE 7 - OPERATING LEASE OBLIGATIONS**

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2020:

| Fiscal Year                  | Operating<br>Leases |
|------------------------------|---------------------|
| 2021                         | \$ 18,530           |
| 2022                         | 18,300              |
| 2023                         | 17,978              |
| 2024                         | 15,593              |
| Total Minimum Lease Payments | <u>\$ 70,401</u>    |

Rental expense for all operating leases during the year was \$18,729.

In addition, the Cumberland County Partnership owns the Family Resource Center building (PFC RC). The PFC RC is an office complex located in Fayetteville, North Carolina. The Cumberland County Partnership realized significant rental income from the PFC RC. For the year ended June 30, 2020, the Cumberland County Partnership received \$228,008 of rental income from the tenants of the PFC RC. This amount is included in Other Receipts on the Statement of Receipts, Expenditures and Net Assets - Modified Cash Basis.

Future minimum lease rentals to be received consist of the following at June 30, 2020:

| Fiscal Year                  | Operating<br>Leases |
|------------------------------|---------------------|
| 2021                         | \$ 186,842          |
| 2022                         | 140,386             |
| Total Minimum Lease Payments | <u>\$ 327,228</u>   |

**NOTE 8 - PENSION PLAN**

The Cumberland County Partnership has an IRC Section 401(k) plan (Plan) available to employees age 21 and older and who have one year of service with at least 1,000 hours. All costs of administering the Plan are the responsibility of the Plan participants. The Cumberland County Partnership provides matching of the employee contributions not to exceed 4% of the employee's annual salary. Employees may make voluntary contributions to the Plan up to the maximum allowable per IRS guidelines. For the period ended June 30, 2020 the Cumberland County Partnership contributed \$70,738 in matching retirement benefits.



**NOTE 9 - RISK MANAGEMENT**

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

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

**A. Compensated Absences** - As a result of the Cumberland 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, 2020 is \$212,617. No funds or reservation of net assets has been made for this commitment.

**B.** In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. As of June 30, 2020, there was no significant impact to the Cumberland County Partnership's operations. However, the Partnership for Cumberland County Partnership is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Cumberland County Partnership's operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects to the Partnership's financial position, results of operations, and cash flows.

**NOTE 11 - RESTRICTIONS ON NET ASSETS**

- A. Net Assets With Donor Restrictions** - Net assets with donor restrictions at June 30, 2020 are available for the following purposes:

| Purpose   | Amount            |
|---|-------------------|
| Dolly Parton's Imagination Library  | \$ 1,282          |
| The CarMax Foundation - Collaborative   | 9,834             |
| Foundation for the Carolinas  | 2,011             |
| Foundation for the Carolinas - Operation Restoration                            | 90,712            |
| Cumberland Community Foundation - Family Connects                               | 33,923            |
| Falcon Children's Home Car Safety Seat  | 5,000             |
| Cumberland Community Foundation - Toilet Training                               | 7,572             |
| Partnership for Children Annual Fundraiser - Kidstuff Activity                  | 3,702             |
| Partnership for Children Annual Fundraiser - Administrative                     | 6,587             |
| Partnership for Children Annual Fundraiser - Mission Moments                    | 140               |
| Partnership for Children Annual Fundraiser - Early Care & Education Initiatives | 1,804             |
|   | <u>\$ 162,567</u> |

- B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2020 by incurring expenditures satisfying the restricted purposes as follows:

| Purpose  | Amount           |
|--|------------------|
| Dolly Parton's Imagination Library                             | \$ 3,526         |
| The Carmax Foundation - Collaborative                          | 636              |
| Foundation for the Carolinas                                   | 11,351           |
| Foundation for the Carolinas - Operation Restoration           | 9,287            |
| Think Babies Community Infant Toddler Project                  | 1,000            |
| Partnership for Children Annual Fundraiser - Kidstuff Activity | 3,361            |
|  | <u>\$ 29,161</u> |

- C. Net Assets With Donor Restrictions** - Endowments restricted in perpetuity at June 30, 2020 were restricted for the following purposes:

| Purpose   | Amount           |
|-----------|------------------|
| Endowment | <u>\$ 31,384</u> |

**NOTE 12 - BOARD DESIGNATED FUNDS**

Occasionally, the Cumberland County Partnership's Board designates a portion of financial assets for various programs. In the event of an unanticipated liquidity need, the Cumberland County Partnership's Board could use these designated financial assets to meet unanticipated liquidity needs. At June 30, 2020, the Cumberland County Partnership had Board designated funds of \$71,578 for the following programs:

|  |                  |
|--|------------------|
| Region 5 Federal Grants (if there is a government funding reduction) | \$ 50,000        |
| Capital Projects Fund  | <u>21,578</u>    |
|  | <u>\$ 71,578</u> |

**NOTE 13 - FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS**

The following reflects Cumberland County Partnership's financial assets as of June 30, 2020 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2020:

|  |                   |
|--|-------------------|
| Financial assets at year-end   |                   |
| Less those unavailable for general expenditures within one year, due to:               | \$ 1,235,339      |
| Contractual or donor-imposed restrictions:   |                   |
| Restricted by donor with time and purpose restrictions (See Note 11A)                  | (162,567)         |
| Perpetually restricted by donor (See Note 11C)   | (31,384)          |
| Board Designated Funds: (See Note 12)  | <u>(71,758)</u>   |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 969,630</u> |

The Cumberland County Partnership is supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Cumberland County Partnership must maintain sufficient resources to meet these responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

The Cumberland County Partnership did not have a board-approved liquidity policy as of June 30, 2020. The Cumberland County Partnership's liquidity management practice is to diversify and invest unrestricted cash in excess of the FDIC limit (per bank) into various investment vehicles such as certificates of deposits, money markets and E-Trade funds. In the event of an unanticipated liquidity need, the Cumberland County Partnership could reinstate a line of credit at its primary bank or liquidate its two certificate of deposits and E-Trade funds accounts.

**NOTE 14 - INCOME TAXES**

The Cumberland 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 Cumberland County Partnership does not believe there are any unrecognized tax benefits or costs as of June 30, 2020. Income tax returns from 2017 through 2019 remain open to examination by tax authorities.

**NOTE 15 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

During the year ended June 30, 2012, the Cumberland County Partnership established an endowment for which the Cumberland County Partnership is the beneficiary. The endowment was established through the Cumberland Community Foundation, Inc. (CCF). The agreement between the Cumberland County Partnership and the CCF provides that all the contributions to the endowment are irrevocable. The CCF will make distributions of the income earned on the endowment, subject to the CCF's spending policy. The agreement also permits the CCF to substitute another beneficiary in the place of Cumberland County Partnership if the Cumberland County Partnership ceases to exist or if the Cumberland County Partnership ceases to be an organization described in Internal Revenue Code Sections 170c and 501c(3). Therefore, the Cumberland County Partnership has explicitly granted variance power to the CCF. The Cumberland County Partnership's endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as the Beneficial Interest in the Community Foundation.

The fair value of the endowment administered by the CCF on behalf of the Cumberland County Partnership at June 30, 2020 was \$45,637; however, under the modified cash basis of accounting, the original cost basis of contributions are reported on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as \$31,384.

**NOTE 16 - ENDOWMENT**

**INTERPRETATION OF ENDOWMENT UNDER UNIFORM PRUDENT MANAGEMENT OF INSTITUTIONAL FUNDS ACT (UPMIFA)**

Through June 30, 2020, the Cumberland County Partnership's management and investment of donor-restricted endowment funds was subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA) that serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending. The Cumberland County Partnership's endowment consists of a beneficial interest in a community foundation. Endowments include donor-restricted endowment funds.

**BASIS OF ENDOWMENT ACCOUNTING**

Under the modified cash basis of accounting, the Cumberland County Partnership records contributions and endowment investment earnings on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Contributions from funds held, raised or collected by Cumberland County Partnership and processed through its bank accounts are recorded as net assets with donor restrictions in perpetuity.

Contributions from funds held, raised or collected by Cumberland County Partnership but not processed through its bank accounts are not recorded. Permanently restricted contributions sent directly by a third party to the community foundation are not recorded in the general ledger of the Cumberland County Partnership. There were no such third party contributions directly to the foundation during the year ended June 30, 2020. Similarly, investment earnings and expenses of endowments held by the community foundation are not recorded in the general ledger of the Cumberland County Partnership, unless such earnings and expenses pass through its bank accounts.

Endowment net asset composition by fund type as of June 30, 2020 follows:

|                        | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>     |
|------------------------|---------------------------------------|------------------------------------|------------------|
| Donor-Restricted Funds | <u>\$ -</u>                           | <u>\$ 31,384</u>                   | <u>\$ 31,384</u> |

**NOTE 17 - SUBSEQUENT EVENTS**

The Cumberland County Partnership has evaluated events and transactions that occurred between June 30, 2020 and March 3, 2021, 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, 2020 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, 2020.

This information is an integral part of the financial statements.

SUPPLEMENTARY INFORMATION

**Partnership for Children of Cumberland County, Inc.**  
**Schedule of Contract and Grant Expenditures - Modified Cash Basis**  
**For the Year Ended June 30, 2020**

**Schedule 1**

| Organization Name   | Smart Start Fund    |                 | Other Funds         |             |
|---|---------------------|-----------------|---------------------|-------------|
|   | Amount Advanced     | Refund Due      | Amount Advanced     | Refund Due  |
| <b>Organizations:</b>   |                     |                 |                     |             |
| Action Pathways, Inc. (formerly Cumberland Community Action Program, Inc.)        | * \$ -              | \$ -            | \$ 764,001          | \$ -        |
| Anson County Partnership for Children   | -                   | -               | 9,954               | -           |
| Autism Society of Cumberland County   | 45,000              | -               | -                   | -           |
| Building Blocks Early Education Learning Centers, Inc.                            | * 27,528            | -               | 410,243             | -           |
| Carolina Collaborative Community Care (4C's)                                      | 105,638             | 2,415           | -                   | -           |
| Vernell C. Thomas, Inc. dba Cozy Corner Childcare / Jump Start University         | * 36,918            | -               | 114,692             | -           |
| Cumberland County Schools   | * -                 | -               | 1,438,083           | -           |
| Easter Seals UCP - Spainhour  | 69,480              | -               | 137,953             | -           |
| Fayetteville State University   | 19,845              | -               | 340,909             | -           |
| Fayetteville Technical Community College  | * 284,281           | -               | 117,616             | -           |
| Kerri Hurley  | 63,163              | -               | -                   | -           |
| Montgomery County Partnership for Children  | -                   | -               | 8,345               | -           |
| Partners for Children & Families of Moore County                                  | -                   | -               | 29,399              | -           |
| Richmond County Partnership for Children  | -                   | -               | 14,528              | -           |
| Snyder Memorial Baptist Church  | 12,092              | -               | -                   | -           |
|   | <u>663,945</u>      | <u>2,415</u>    | <u>3,385,723</u>    | <u>-</u>    |
| <b>Individuals:</b>   |                     |                 |                     |             |
| Car Seats Distribution  | 3,777               | -               | -                   | -           |
| Child Care Expense Reimbursements (Subsidy - TANF)                                | 271,418             | -               | -                   | -           |
| Child Care Expense Reimbursements (Subsidy - Non-TANF)                            | 90,551              | -               | 27,480              | -           |
| Child Care Expense Reimbursements (NC Pre-K Subsidy - TANF)                       | 54,469              | -               | 3,818,025           | -           |
| Child Care Expense Reimbursements (NC Pre-K Subsidy - Non-TANF)                   | 10,073              | -               | 885,600             | -           |
| Child Care Expense Reimbursements (Registration Fees & Transportation - Non-TANF) | 3,370               | -               | -                   | -           |
| Stipends / Scholarships / Bonuses   | 38,300              | -               | 2,211               | -           |
| Participant Training Grants   | 10,704              | -               | 28,967              | -           |
|   | <u>482,662</u>      | <u>-</u>        | <u>4,762,283</u>    | <u>-</u>    |
|   | <u>\$ 1,146,607</u> | <u>\$ 2,415</u> | <u>\$ 8,148,006</u> | <u>\$ -</u> |

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



**Partnership for Children of Cumberland County, Inc.**  
**Schedule of State Level Service Provider Contracts**  
**For the Year Ended June 30, 2020**

**Schedule 2**

| <b>Organization Name</b>                          | <b>DHHS<br/>Contracts</b> |
|---|---------------------------|
| Child Care Services Association - WAGE\$ Program  | \$ 371,554                |
| Cumberland County Department of Social Services * | 2,390,113                 |
|   | <u>\$ 2,761,667</u>       |

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

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 4 - Funding from Grant Awards and Contracts.

**Partnership for Children of Cumberland County, Inc.**  
**Schedule of Federal and State Awards - Modified Cash Basis**  
**For the Year Ended June 30, 2020**

**Schedule 3**

| Federal/State Grantor/Pass-through Grantor/Program                            | Federal<br>CFDA<br>Number | Contract #        | Receipts             | Expenditures         |
|---|---------------------------|-------------------|----------------------|----------------------|
| <b>Federal Awards:</b>  |                           |                   |                      |                      |
| United States Department of Health and Human Services                         |                           |                   |                      |                      |
| Pass-through from the North Carolina Department of Health and Human Services  |                           |                   |                      |                      |
| Division of Child Development and Early Education                             |                           |                   |                      |                      |
| Pass-through from Southwestern Child Development Commission, Inc. (SWCDC)     |                           |                   |                      |                      |
| Child Care and Development Block Grant (Current Year)                         | *                         | 93.575 005-20C    | \$ 338,791           | \$ 295,031           |
| Child Care and Development Block Grant (Current Year)                         | *                         | 93.575 005-20-IT  | 150,306              | 145,706              |
| Child Care and Development Block Grant (Current Year)                         | *                         | 93.575 005-20-HSB | 183,513              | 203,414              |
| Child Care and Development Block Grant (Prior Year)                           | *                         | 93.575 005-19C    | -                    | 18,312               |
| Child Care and Development Block Grant (Prior Year)                           | *                         | 93.575 005-19-IT  | -                    | 1,558                |
| Child Care and Development Block Grant (Prior Year)                           | *                         | 93.575 005-19-HSB | -                    | 9,323                |
| Pass-through from the North Carolina Department of Health and Human Services, |                           |                   |                      |                      |
| Division of Child Development and Early Education                             |                           |                   |                      |                      |
| Child Care and Development Fund (NC Pre-K) (Current Year)                     | *                         | 93.575 38231      | 198,176              | 174,963              |
| Child Care and Development Fund (NC Pre-K) (Prior Year)                       | *                         | 93.575 36870      | -                    | 151                  |
| Temporary Assistance for Needy Families (NC Pre-K) (Current Year)             | * **                      | 93.558 38231      | 6,748,666            | 6,747,866            |
| United States Department of Health and Human Services                         |                           |                   |                      |                      |
| Administration for Children and Families                                      |                           |                   |                      |                      |
| Pass-through from the Mid-Carolina Area Agency on Aging                       |                           |                   |                      |                      |
| Bio Monitoring Programs for State Public Health Laboratories -                |                           |                   |                      |                      |
| North Carolina Family Caregiver Support Program (Current Year)                |                           | 93.062 N/A        | 2,597                | 4,500                |
| <b>Total Federal Awards</b>   |                           |                   | <u>7,622,049</u>     | <u>7,600,824</u>     |
| <b>State Awards:</b>  |                           |                   |                      |                      |
| North Carolina Department of Health and Human Services                        |                           |                   |                      |                      |
| Division of Child Development and Early Education                             |                           |                   |                      |                      |
| Pass-through from the North Carolina Partnership for Children, Inc.           |                           |                   |                      |                      |
| Early Childhood Initiatives Program (Prior Year)                              |                           | N/A               | (4,673)              | (4,673)              |
| Early Childhood Initiatives Program (Current Year)                            | *                         | N/A               | 3,632,384            | 3,632,384            |
| Multi-Partnership Accounting and Contracting Grant (Current Year)             |                           | N/A               | 97,790               | 97,790               |
| Dolly Parton's Imagination Library Expansion (Current Year)                   |                           | N/A               | 30,000               | 32,244               |
| North Carolina Department of Health and Human Services                        |                           |                   |                      |                      |
| Division of Child Development and Early Education                             |                           |                   |                      |                      |
| NC Pre-K (Current Year)   | *                         | 38231             | 1,783,003            | 1,778,199            |
| NC Pre-K (Prior Year)   | *                         | 36870             | (754)                | -                    |
| <b>Total State Awards</b>   |                           |                   | <u>5,537,750</u>     | <u>5,535,944</u>     |
| <b>Total Federal and State Awards</b>   |                           |                   | <u>\$ 13,159,799</u> | <u>\$ 13,136,768</u> |

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

\*\* Major Programs per the Uniform Guidance

**Partnership for Children of Cumberland County, Inc.**  
**Schedule of Property and Equipment - Modified Cash Basis**  
**For the Year Ended June 30, 2020**

**Schedule 4**

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|                                     |                                   |
|-------------------------------------|-----------------------------------|
| Furniture and Noncomputer Equipment | \$ 280,054                        |
| Computer Equipment/Printers         | 292,063                           |
| Buildings                           | 5,328,940                         |
| Leasehold Improvements              | 63,798                            |
| Motor Vehicles                      | <u>51,936</u>                     |
| <b>Total Property and Equipment</b> | <b><u><u>\$ 6,016,791</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 cash basis of accounting, these items are expensed in the year of purchase.

**Partnership for Children of Cumberland County, Inc.**  
**Schedule of Qualifying Match (Non-GAAP)**  
**For the Year Ended June 30, 2020**

**Schedule 5**

**Match Provided at the Partnership Level:**

|                            |                   |
|----------------------------|-------------------|
| Cash                       | \$ 229,325        |
| In-Kind Goods and Services | <u>91,294</u>     |
|                            | <u>\$ 320,619</u> |

**Match Provided at the Contractor Level:**

|                            |                   |
|----------------------------|-------------------|
| Cash                       | \$ 47,586         |
| In-Kind Goods and Services | <u>52,860</u>     |
|                            | <u>\$ 100,446</u> |

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2018-5, Section 11B.8.(d). The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this Partnership in meeting the statewide match requirement.

The amounts shown above as allowable for the Partnership in meeting its match requirement do not include allowable amounts included in the North Carolina Families Accessing Services through Technology (NCFAST) system as this information was not available in a timely manner for the fiscal year ended June 30, 2020. For the fiscal year ended June 30, 2020, Smart Start met the legislative statewide match requirement and will be waiving penalties for local partnerships that do not meet their match requirement for the fiscal year ended June 30, 2020.

Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To Board Members of  
Partnership for Children of Cumberland County, Inc.  
Fayetteville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Partnership for Children of Cumberland County, Inc. (a nonprofit organization), which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2020, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 3, 2021.

As described in Note 1, the 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 Partnership for Children of Cumberland County, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Partnership for Children of Cumberland County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Partnership for Children of Cumberland County, Inc.'s internal control.

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Partnership for Children of Cumberland County, Inc.'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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



Charlotte, North Carolina  
March 3, 2021