

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

FAYETTEVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2021

BOARD OF DIRECTORS
AYESHA NEAL, 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, 2021, 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, 2021, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedule 2 on page 25 and Schedule 5 on page 28 is presented for purposes of additional analysis as required by the North Carolina Office of the State Auditor, and is not a required part of the financial statements. 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.

The accompanying supplementary information in Schedules 1, 3, and 4 on pages 24, 26, and 27 is presented for purposes of additional analysis and is 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the 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 January 26, 2022, 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
January 26, 2022

Partnership for Children of Cumberland County, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2021

Exhibit A

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Receipts:			
State Awards and Contracts	\$ 9,617,567	\$ 17,682	\$ 9,635,249
Federal Awards	4,370,634	-	4,370,634
Private Contributions	116,449	52,316	168,765
Special Fund Raising Events	(128)	-	(128)
Interest and Investment Earnings	40	-	40
Sales Tax Refunds	14,568	-	14,568
Other Receipts	494,432	-	494,432
Total Receipts	14,613,562	69,998	14,683,560
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	149,213	(149,213)	-
	14,762,775	(79,215)	14,683,560
Expenditures:			
Programs:			
Child Care and Education Affordability	752,700	-	752,700
Child Care and Education Quality	1,821,773	-	1,821,773
Family Support	1,041,781	-	1,041,781
Health and Safety	245,564	-	245,564
NC Pre-K	9,734,937	-	9,734,937
Support:			
Fund Raising	31,602	-	31,602
Management and General	511,268	-	511,268
Program Planning, Coordination and Evaluation	306,894	-	306,894
Other:			
IT Support and Services	109,395	-	109,395
Refund Prior Year Grant	55,375	-	55,375
Sales Tax Paid	19,865	-	19,865
Total Expenditures	14,631,154	-	14,631,154
Excess (Deficiency) of Receipts Over Expenditures	131,621	(79,215)	52,406
Net Assets at Beginning of Year	1,041,388	193,951	1,235,339
Net Assets at End of Year	\$ 1,173,009	\$ 114,736	\$ 1,287,745
Net Assets Consisted of:			
Cash and Cash Equivalents	\$ 1,359,260	\$ 83,352	\$ 1,442,612
Investments	273,412	-	273,412
Beneficial Interest in Community Foundation	-	31,384	31,384
Refunds Due From Contractors	2,838	-	2,838
	1,635,510	114,736	1,750,246
Less: Due to State	459,422	-	459,422
Funds Held for Others	3,079	-	3,079
Total Net Assets	\$ 1,173,009	\$ 114,736	\$ 1,287,745

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, 2021

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
Smart Start Fund:								
Programs:								
Child Care and Education Affordability	\$ 752,614	\$ 27,095	\$ 4,437	\$ 588	\$ 2,397	\$ 191	\$ 441	\$ 717,465
Child Care and Education Quality	1,113,856	861,080	112,458	39,954	62,536	11,382	25,586	860
Family Support	644,264	356,318	62,677	12,474	108,728	6,675	33,013	64,379
Health and Safety	187,774	4,972	60,000	-	128	-	-	122,674
NC Pre-K	83,329	-	-	-	-	-	-	83,329
	<u>2,781,837</u>	<u>1,249,465</u>	<u>239,572</u>	<u>53,016</u>	<u>173,789</u>	<u>18,248</u>	<u>59,040</u>	<u>988,707</u>
Support:								
Fund Raising	31,602	3,802	22,117	3,833	427	1,423	-	-
Management and General	318,193	210,056	37,635	13,279	28,287	20,679	8,257	-
Program Planning, Coordination and Evaluation	292,058	217,694	28,903	27,397	11,539	1,532	4,993	-
	<u>641,853</u>	<u>431,552</u>	<u>88,655</u>	<u>44,509</u>	<u>40,253</u>	<u>23,634</u>	<u>13,250</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 3,423,690</u>	<u>\$ 1,681,017</u>	<u>\$ 328,227</u>	<u>\$ 97,525</u>	<u>\$ 214,042</u>	<u>\$ 41,882</u>	<u>\$ 72,290</u>	<u>\$ 988,707</u>
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 86	\$ -	\$ -	\$ -	\$ 6	\$ -	\$ 80	\$ -
Child Care and Education Quality	707,917	543,564	41,686	8,563	24,268	13,124	7,903	68,809
Family Support	397,517	84,500	22,065	2,598	85,803	39,037	163,514	-
Health and Safety	57,790	51,437	2,678	858	2,260	66	491	-
NC Pre-K	9,651,608	641,484	62,618	12,719	38,233	46,705	7,101	8,842,748
	<u>10,814,918</u>	<u>1,320,985</u>	<u>129,047</u>	<u>24,738</u>	<u>150,570</u>	<u>98,932</u>	<u>179,089</u>	<u>8,911,557</u>
Support:								
Management and General	193,075	172,237	7,942	3,843	6,870	1,182	1,001	-
Program Planning, Coordination and Evaluation	14,836	6,911	-	10,925	(3,000)	-	-	-
IT Support and Services	109,395	320,025	(239,582)	9,967	14,295	749	3,941	-
	<u>317,306</u>	<u>499,173</u>	<u>(231,640)</u>	<u>24,735</u>	<u>18,165</u>	<u>1,931</u>	<u>4,942</u>	<u>-</u>
Other:								
Refund of Prior Year Grant	55,375	-	-	-	-	55,375	-	-
Sales Tax Paid	19,865	-	-	19,865	-	-	-	-
Total Other Funds Expenditures	<u>\$ 11,207,464</u>	<u>\$ 1,820,158</u>	<u>\$ (102,593)</u>	<u>\$ 69,338</u>	<u>\$ 168,735</u>	<u>\$ 156,238</u>	<u>\$ 184,031</u>	<u>\$ 8,911,557</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, 2021

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 principal 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, 2021, 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, 2021. The amounts are as follows:

Tenant Security Deposits	\$ 19,137
Dental Insurance Plan	(113)
Vision Insurance Plan	59
Flexible Spending Plan	(1,379)
Health Insurance Plan	<u>(14,625)</u>
	<u>\$ 3,079</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, 2021. 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, 2021, the Cumberland County Partnership's bank deposits in excess of the FDIC insured limit was \$1,009,551.

- 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, 2021 as follows:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Stocks	\$ 68,000	\$ 17,000	\$ -	\$ 85,000
Certificate of Deposit	205,412	-	-	205,412
Total	<u>\$ 273,412</u>	<u>\$ 17,000</u>	<u>\$ -</u>	<u>\$ 290,412</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, 2021 are as follows:

Investment Earnings - Certificates of Deposit	<u>\$ 40</u>
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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.

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, 2021:

	Level 1	Level 2	Level 3	Total Fair Value
Stocks	\$ 85,000	\$ -	\$ -	\$ 85,000
Certificate of Deposit	205,412	-	-	205,412
Total	<u>\$ 290,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,412</u>

NOTE 4 - FUNDING FROM GRANT AWARDS AND CONTRACTS

Smart Start Program - 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 \$3,884,093 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 \$459,422 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2021. The Cumberland County Partnership also refunded \$980 of a prior year contract during the year ended June 30, 2021.

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 and received \$98,110 and expended \$98,104 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 \$6 of this contract to the State based on financial status reports submitted to NCPC during June 30, 2021.

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 \$745,312 under three (3) current year grant contracts with SWCDC and has received \$773,655 and expended \$694,268 of this amount. The unexpended balances of these grant contracts are subject to reversion to SWCDC. The Cumberland County Partnership has returned \$52,853 of these contracts to the SWCDC based on financial status reports submitted to SWCDC subsequent to June 30, 2021. The Cumberland County Partnership also refunded \$55,262 of a prior year grant contract during the year ended June 30, 2021.

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 \$10,576,139 and received \$9,676,246 and expended \$9,637,694 under a current year financial assistance contract and refunded \$107 under a prior year contract as of June 30, 2021. The current year contract was amended effective June 1, 2021 through August 31, 2021 for an additional \$913,000 to administer a Summer Learning Program to the NC Pre-K classrooms. No funds were received nor expended on this contract extension as of June 30, 2021.

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

Dolly Parton's Imagination Library (DPIL) - Cumberland County Partnership was awarded \$31,282, received \$30,000 and expended \$13,600 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 \$2,806, and expended \$739 under a current year contract with Mid-Carolina Area on Aging.

The Cumberland County Partnership has decided to discontinue funding with the Mid-Carolina Area on Aging.

COVID Impact Mitigation Grant (Coronavirus Relief Fund) - The Cumberland County Partnership received 16 electronic devices under a current year COVID Impact Mitigation Grant with NCPC at a cost of \$16,000. All electronic devices were provided to participants during the year ended June 30, 2021 and no devices were retained by the Cumberland County Partnership. Under the modified cash basis of accounting (Note 1), in-kind contributions and donated equipment are not recognized.

The Cumberland County Partnership does not expect to receive continued funding through new COVID impact mitigation grants.

Preschool Development Grant - Family Connects - Cumberland County Partnership was awarded \$2,124,110, received \$1,029 and expended \$2,832 under a current year contract with NCPC. The grant term is March 1, 2021 through November 30, 2022.

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

Child Care Health Consultant Contract Grant - Cumberland County Partnership was awarded \$210,997, received \$346 and expended \$493 under a current year contract with NCPC.

The Cumberland County Partnership expects to receive continued funding through new contracts with the State. The grant term is February 1, 2021 through October 31, 2021.

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), child care health consultations, 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, 2021:

Fiscal Year	Operating Leases
2022	\$ 18,300
2023	17,978
2024	15,693
Total Minimum Lease Payments	<u>\$ 51,971</u>

Rental expense for all operating leases during the year was \$17,549.

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, 2021, the Cumberland County Partnership received \$291,253 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, 2021:

Fiscal Year	Operating Leases
2022	\$ 186,842
2023	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 year ended June 30, 2021 the Cumberland County Partnership contributed \$75,236 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:

Type of Loss	Method Managed	Risk of Loss Retained
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, 2021 is \$212,131. 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, 2021, there was no significant impact to the Cumberland County Partnership's operations. However, 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, 2021 are restricted for the following purposes:

Purpose	Amount
Dolly Parton's Imagination Library	\$ 17,682
Foundation for the Carolinas - Operation Restoration	22,406
Cumberland Community Foundation - Family Connects	29,458
Falcon Children's Home Car Safety Seat	5,000
Cumberland Community Foundation - Diaper Bank Distribution	455
Partnership for Children Annual Fundraiser - Administrative	6,587
Partnership for Children Annual Fundraiser - Mission Moments	
Partnership for Children Annual Fundraiser - Early Care & Education Initiatives	140
	<u>1,624</u>
	<u>\$ 83,352</u>

- B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2021 by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Dolly Parton's Imagination Library	\$ 1,282
Foundation for the Carolinas - Operation Restoration	90,713
Cumberland Community Foundation - Family Connects	33,923
Partnership for Children Annual Fundraiser - Early Care & Education Initiatives	177
The CarMax Foundation Grant	9,834
KidStuff Activity	3,702
Foundation for the Carolinas	2,011
Cumberland Community Foundation - Toilet Training Grant	7,571
	<u>\$ 149,213</u>

Net Assets With Donor Restrictions - Endowments restricted in perpetuity at June 30, 2021 were restricted for the following purposes:

Purpose	Amount
Endowment for benefit of the Cumberland County Partnership	<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, 2021, 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, 2021:

Financial assets at year-end	\$ 1,287,745
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time and purpose restrictions (See Note 11A)	(83,352)
Perpetually restricted by donor (See Note 11C)	(31,384)
Board Designated Funds: (See Note 12)	<u>(71,578)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,101,431</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 have a board-approved liquidity policy as of June 30, 2021. 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 certificates 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 un-recognized tax benefits or costs as of June 30, 2021.

Income tax returns from 2018 through 2020 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, 2021 was \$57,274; 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, 2021, 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, 2021. 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, 2021 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Funds	\$ -	\$ 31,384	\$ 31,384

NOTE 17 - SUBSEQUENT EVENTS

The Cumberland County Partnership has evaluated events and transactions that occurred between June 30, 2021 and January 26, 2022, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Other than the subsequent event disclosed below, events or transactions that provided evidence about conditions that did not exist at June 30, 2021 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, 2021.

On November 17, 2021, the Cumberland County Partnership entered into a loan agreement with First Bank in the amount of \$1,300,000 in order to complete an infrastructure project to perform repairs of the building in which the Cumberland County Partnership owns. The loan bears interest at 2.85% and matures November 15, 2031.

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, 2021

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
Action Pathways, Inc. (formerly Cumberland Community Action Program, Inc.)	* \$ 8,280	\$ -	\$ 892,213	\$ -
Anson County Partnership for Children	-	-	9,954	-
Autism Society of Cumberland County	45,000	-	-	-
Building Blocks Early Education Learning Centers, Inc.	* 48,852	-	534,530	-
Carolina Collaborative Community Care (4C's)	105,662	2,838	-	-
Vernell C. Thomas, Inc. dba Cozy Corner Childcare / Jump Start University	* 12,825	-	121,997	-
Cumberland County Schools	* 15,030	-	1,618,491	-
Easter Seals UCP - Spainhour	1,870	-	202,415	-
Fayetteville State University	11,143	-	366,514	-
Fayetteville Technical Community College	* 218,695	-	-	-
Kerri Hurley	36,350	-	-	-
Montgomery County Partnership for Children	-	-	8,345	-
Partners for Children & Families of Moore County	-	-	29,399	-
Richmond County Partnership for Children	-	-	14,528	-
	<u>503,707</u>	<u>2,838</u>	<u>3,798,386</u>	<u>-</u>
Individuals:				
Car Seats Distribution	2,879	-	-	-
NC Pre-K Materials and Supplies	-	-	28,245	-
Child Care Expense Reimbursements (Subsidy - TANF)	356,294	-	-	-
Child Care Expense Reimbursements (Subsidy - Non-TANF)	75,497	-	-	-
Child Care Expense Reimbursements (NC Pre-K Subsidy - TANF)	48,788	-	3,077,338	-
Child Care Expense Reimbursements (NC Pre-K Subsidy - Non-TANF)	-	-	2,000,872	-
Child Care Expense Reimbursements (Registration Fees & Transportation - Non-TANF)	3,520	-	-	-
Stipends / Scholarships / Bonuses	600	-	-	-
Participant Training Grants	260	-	6,716	-
	<u>487,838</u>	<u>-</u>	<u>5,113,171</u>	<u>-</u>
	<u>\$ 991,545</u>	<u>\$ 2,838</u>	<u>\$ 8,911,557</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 (Unaudited)
For the Year Ended June 30, 2021

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$	\$ 521,554
Cumberland County Department of Social Services *	2,600,113
	<u>\$ 3,121,667</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, 2021

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal Assistance Listing Number	Contract #	Receipts	Expenditures
Federal Awards:				
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)	*	93.575 005-21C	\$ 338,791	\$ 331,122
Child Care and Development Block Grant (Current Year)	*	93.575 005-21-IT	150,306	137,827
Child Care and Development Block Grant (Current Year)	*	93.575 005-21-HSB	284,558	225,319
Child Care and Development Block Grant (Prior Year)	*	93.575 005-20C	-	43,760
Child Care and Development Block Grant (Prior Year)	*	93.575 005-20-IT	-	4,600
Child Care and Development Block Grant (Prior Year)	*	93.575 005-20-HSB	-	6,902
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 40314	185,176	157,319
Child Care and Development Fund (NC Pre-K) (Prior Year)	*	93.575 38231	-	6
Temporary Assistance for Needy Families (NC Pre-K) (Current Year)	* **	93.558 40314	3,407,622	3,408,422
Pass-through from The North Carolina Partnership for Children, Inc.				
Preschool Development Grant - Family Connects (Current Year)		93.434 312:20/21-09123	1,029	2,832
Child Care Health Consultant Grant (Current Year)		93.575 313:20/21-07423	346	493
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	2,806	739
Total Receipts and Expenditures of Federal Awards			4,370,634	4,319,341
State Awards:				
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	(980)	(980)
Early Childhood Initiatives Program (Current Year)	*	N/A	3,424,671	3,424,671
Multi-Partnership Accounting and Contracting Grant (Current Year)		N/A	98,110	98,104
Multi-Partnership Accounting and Contracting Grant (Prior Year)			-	6
Dolly Parton's Imagination Library Expansion (Current Year)		N/A	30,000	13,600
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
NC Pre-K (Current Year)	*	40314	6,083,448	6,071,953
NC Pre-K (Prior Year)	*	38231	-	101
Total Receipts and Expenditures of State Awards			9,635,249	9,607,455
Total Receipts and Expenditures of Federal and State Awards			\$ 14,005,883	\$ 13,926,796

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

** Major Programs per the Uniform Guidance

See Independent Auditor's Report

Partnership for Children of Cumberland County, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2021

Schedule 4

Furniture and Noncomputer Equipment	\$	297,417
Computer Equipment/Printers		315,007
Buildings		5,362,655
Leasehold Improvements		63,798
Motor Vehicles		<u>51,936</u>
Total Property and Equipment	\$	<u>6,090,813</u>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year end. The valuations represent historical cost. On the modified 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) (Unaudited)
For the Year Ended June 30, 2021

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 214,147
In-Kind Goods and Services	<u>24,243</u>
	<u>\$ 238,390</u>

Match Provided at the Contractor Level:

Cash	\$ 689
In-Kind Goods and Services	<u>61,954</u>
	<u>\$ 62,643</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, 2021. For the fiscal year ended June 30, 2021, 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, 2021.

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, 2021, 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 January 26, 2022.

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 of the financial statements, 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
January 26, 2022