

FINANCIAL STATEMENT AUDIT REPORT OF
PARTNERSHIP FOR CHILDREN OF
CUMBERLAND COUNTY, INC.
FAYETTEVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2022

BOARD OF DIRECTORS
DR. MEREDITH GRONSKI, 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 the Audit of the Financial Statements

Opinion

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, 2022, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Receipts, Expenditures and Net Assets - Modified Cash Basis of the Partnership for Children of Cumberland County, Inc., as of and for the year ended June 30, 2022, and the Statement of Functional Expenditures - Modified Cash basis for the year ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Partnership for Children of Cumberland County, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - 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 this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Partnership for Children of Cumberland County, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Partnership for Children of Cumberland County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Partnership for Children of Cumberland County, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 29 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 28 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 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 March 20, 2023, 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 to solely 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 20, 2023

Partnership for Children of Cumberland County, Inc.
Statement of Receipts, Expenditures and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2022

Exhibit A

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Receipts:			
State Awards and Contracts	\$ 8,723,091	\$ -	\$ 8,723,091
Federal Awards	6,184,283	76,970	6,261,253
Private Contributions	63,569	34,285	97,854
Special Fund Raising Events	(34)	-	(34)
Interest and Investment Earnings	2,779	-	2,779
Sales Tax Refunds	22,848	-	22,848
Other Receipts	485,923	-	485,923
Total Receipts	15,482,459	111,255	15,593,714
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	71,311	(71,311)	-
	15,553,770	39,944	15,593,714
Expenditures:			
Programs:			
Child Care and Education Affordability	500,389	-	500,389
Child Care and Education Quality	1,754,373	-	1,754,373
Family Support	1,329,895	-	1,329,895
Health and Safety	1,426,425	-	1,426,425
NC Pre-K	9,930,659	-	9,930,659
Support:			
Fund Raising	34,362	-	34,362
Management and General	536,416	-	536,416
Program Planning, Coordination and Evaluation	334,085	-	334,085
Other:			
IT Support and Services	116,983	-	116,983
Refund of Prior Year Grant	53,458	-	53,458
Sales Tax Paid	17,505	-	17,505
Total Expenditures	16,034,550	-	16,034,550
Excess (Deficiency) of Receipts Over Expenditures	(480,780)	39,944	(440,836)
Net Assets at Beginning of Year	1,173,009	114,736	1,287,745
Net Assets at End of Year	\$ 692,229	\$ 154,680	\$ 846,909
Net Assets Consisted of:			
Cash and Cash Equivalents	\$ 903,623	\$ 123,296	\$ 1,026,919
Beneficial Interest in the Community Foundation	-	31,384	31,384
Investments	326,131	-	326,131
Refunds Due From Contractors	442	-	442
	1,230,196	154,680	1,384,876
Less: Due to State	503,872	-	503,872
Funds Held for Others	34,095	-	34,095
Total Net Assets	\$ 692,229	\$ 154,680	\$ 846,909

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, 2022

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	\$ 495,465	\$ 19,561	\$ 4,020	\$ 305	\$ 2,831	\$ 129	\$ 810	\$ 467,809
Child Care and Education Quality	946,241	671,349	106,133	30,511	81,751	30,308	15,200	10,989
Family Support	911,196	453,801	157,109	16,793	169,144	11,194	43,209	59,946
Health and Safety	225,669	6,856	-	-	12,024	-	1,640	205,149
NC Pre-K	331,585	-	-	-	-	-	-	331,585
	<u>2,910,156</u>	<u>1,151,567</u>	<u>267,262</u>	<u>47,609</u>	<u>265,750</u>	<u>41,631</u>	<u>60,859</u>	<u>1,075,478</u>
Support:								
Fund Raising	34,362	2,978	25,261	3,844	1,355	924	-	-
Management and General	358,898	223,356	49,317	10,818	34,499	22,851	18,057	-
Program Planning, Coordination and Evaluation	291,953	206,552	34,253	30,981	11,037	1,583	7,547	-
	<u>685,213</u>	<u>432,886</u>	<u>108,831</u>	<u>45,643</u>	<u>46,891</u>	<u>25,358</u>	<u>25,604</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 3,595,369</u>	<u>\$ 1,584,453</u>	<u>\$ 376,093</u>	<u>\$ 93,252</u>	<u>\$ 312,641</u>	<u>\$ 66,989</u>	<u>\$ 86,463</u>	<u>\$ 1,075,478</u>
Other Funds:								
Programs:								
Child Care and Education Affordability	\$ 4,924	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,924
Child Care and Education Quality	808,132	623,922	40,485	22,184	52,525	3,981	9,909	55,126
Family Support	418,699	53,398	73,437	1,774	108,814	40,529	140,747	-
Health and Safety	1,200,756	179,331	989,966	1,658	17,764	2,653	9,384	-
NC Pre-K	9,599,074	751,014	67,165	10,817	57,674	8,345	8,509	8,695,550
	<u>12,031,585</u>	<u>1,607,665</u>	<u>1,171,053</u>	<u>36,433</u>	<u>236,777</u>	<u>55,508</u>	<u>168,549</u>	<u>8,755,600</u>
Support:								
Management and General	177,518	142,187	17,792	4,110	7,623	3,331	2,475	-
Program Planning, Coordination and Evaluation	42,132	42,132	-	-	-	-	-	-
IT Support and Services	116,983	317,239	(238,960)	11,130	16,754	969	9,851	-
	<u>336,633</u>	<u>501,558</u>	<u>(221,168)</u>	<u>15,240</u>	<u>24,377</u>	<u>4,300</u>	<u>12,326</u>	<u>-</u>
Other:								
Refund of Prior Year Grant	53,458	-	-	-	-	53,458	-	-
Sales Tax Paid	17,505	-	-	17,505	-	-	-	-
	<u>70,963</u>	<u>-</u>	<u>-</u>	<u>17,505</u>	<u>-</u>	<u>53,458</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 12,439,181</u>	<u>\$ 2,109,223</u>	<u>\$ 949,885</u>	<u>\$ 69,178</u>	<u>\$ 261,154</u>	<u>\$ 113,266</u>	<u>\$ 180,875</u>	<u>\$ 8,755,600</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, 2022

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, 2022, 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, 2022. The amounts are as follows:

Tenant Security Deposits	\$	17,089
Dental Insurance Plan		225
AFLAC Insurance Plan		1,283
Vision Insurance Plan		(1)
Flexible Spending Plan		(971)
Health Insurance Plan		4,923
Pre-Funded Insurance Plan		(16,350)
Retirement Withheld		(329)
United Way Withheld		166
401-K Loans Withheld		328
Legal Shield Withheld		104
FICA Taxes Withheld		15,971
State Taxes Withheld		3,416
Federal Taxes Withheld		8,241
	\$	<u>34,095</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, 2022. 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 Donated Assets and Services** - 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 contributions of cash and other financial assets, and nonfinancial assets. Contributions of cash and other financial assets, received and expended at the Partnership level, are recognized as revenue when they are received and as expenditures when they are paid and are included in the modified cash basis financial statements. For valuation of contributions of other financial assets and nonfinancial assets, Cumberland County Partnership utilizes fair value on the date of the gift. Nonfinancial assets could be donated equipment, supplies, office space, or services. Cumberland County Partnership also benefits from donor volunteer hours which do not require special expertise, but which are nonetheless central to Cumberland County Partnership's operations. During the year ended June 30, 2022, the Cumberland County Partnership did not receive any contributions of other financial assets. Under the modified cash basis of accounting, the qualifying match reported on Schedule 5 for cash provided at the contractor level and for donated assets and services at both the Partnership and contractor levels is not recorded. See supplemental Schedule 5 for more information on the contributions of nonfinancial assets.
- N. Implementation of Accounting Standard** - For the year ended June 30, 2022, Cumberland County Partnership adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the organization and will not change existing recognition and measurement requirements. Cumberland County Partnership has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented.

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, 2022, the Cumberland County Partnership's bank deposits in excess of the FDIC insured limit was \$750,877.

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, 2022 as follows:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Stocks	\$ 118,000	\$ 2,879	\$ (2,851)	\$ 118,028
Certificate of Deposit	208,131	-	-	208,131
Total	<u>\$ 326,131</u>	<u>\$ 2,879</u>	<u>\$ (2,851)</u>	<u>\$ 326,159</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, 2022 are as follows:

Investment Earnings - Certificates of Deposit	<u><u>\$ 2,779</u></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, 2022:

	Level 1	Level 2	Level 3	Total Fair Value
Stocks	\$ 118,028	\$ -	\$ -	\$ 118,028
Certificate of Deposit	208,131	-	-	208,131
Total	<u>\$ 326,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,159</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 \$4,037,696 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 \$503,872 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2022. The Cumberland County Partnership also refunded \$288 of a prior year contract during the year ended June 30, 2022. The Cumberland County Partnership also expended \$61,834 of a future contract during the year ended June 30, 2022.

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, received and expended \$101,042 under a current year contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Cumberland County Partnership also expended \$2,529 of a future contract during the year ended June 30, 2022.

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 \$820,451 under three (3) current year grant contracts with SWCDC and has received \$641,718 and expended \$783,430 of this grant during the year ended June 30, 2022. The unexpended balances of these grant contracts are subject to reversion to SWCDC. The Cumberland County Partnership also refunded \$52,853 of a prior year grant contract during the year ended June 30, 2022. The Cumberland County Partnership also expended \$17,609 of a future contract during the year ended June 30, 2022.

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

NC Pre-K - One of the Cumberland County Partnership's major sources 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 \$9,409,545, received \$8,790,249 and expended \$8,788,001 under a current year financial assistance contract. The Cumberland County Partnership refunded \$21,160 of this contract to the State Subsequent to June 30, 2022. The Cumberland County Partnership also refunded \$558 under a prior year contract during the year ended June 30, 2022. The Cumberland County Partnership also expended \$20,768 of a future contract during the year ended June 30, 2022.

The prior 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. The Cumberland County Partnership received \$845,625 of this grant and expended \$790,265. The unexpended balance for this contract is subject to reversion to the State. The amount of unspent funds at June 30, 2022 was \$55,360 which were reverted to the State in October 2022.

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

Dolly Parton Imagination Library (DPIL) - Cumberland County Partnership was awarded \$47,682, received \$30,000 and expended \$47,682 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.

Preschool Development Grant - Family Connects - Cumberland County Partnership was awarded \$2,124,110, received \$1,001,893 and expended \$1,097,736 under a current year contract with NCPC. The grant term is March 1, 2021 through November 30, 2022. The Cumberland County Partnership also expended \$3,012 of a future contract during the year ended June 30, 2022.

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

Child Care Health Consultant Contract (CCHC) - Cumberland County Partnership was awarded \$126,270, received \$39,281 and expended \$49,601 under a prior 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 September 30, 2022.

Infant Toddler Trauma Informed (ITTI) Care Project - The Cumberland County Partnership was awarded, received, and expended \$1,000 under a current year contract with Duke Sanford Center for Child & Family.

The Cumberland County Partnership does not expect to receive continued funding through new contracts.

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, 2022:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2023	\$ 18,409
2024	15,729
Total Minimum Lease Payments	<u>\$ 34,138</u>

Rental expense for all operating leases during the year was \$18,642.

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, 2022, the Cumberland County Partnership received \$266,557 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, 2022:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2023	\$ 119,305
2024	58,025
Total Minimum Lease Payments	<u>\$ 177,330</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, 2022, the Cumberland County Partnership contributed \$79,326 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, 2022 is \$172,649. 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, 2022, 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.
- C.** During the year ended June 30, 2022, the Cumberland County Partnership took out an infrastructure loan in the amount of \$1,300,000 with an interest rate of 2.85%. The loan matures on November 15, 2031. As of June 30, 2022, \$30,000 of the loan has been drawn on.

NOTE 11 - RESTRICTIONS ON NET ASSETS

- A. Net Assets With Donor Restrictions** - Net assets with donor restrictions not in perpetuity at June 30, 2022 are restricted for the following purposes:

Purpose	Amount
NC Pre-K Summer Learning Grant	\$ 55,360
Cumberland Community Foundation - Family Connects	28,005
Falcon Children's Home Car Safety Seat	5,000
Cumberland Community Foundation - Diaper Bank Distribution	6,734
NC Pre-K (CCDF)	21,610
Partnership for Children Annual Fundraiser - Administrative	6,587
	<u>\$ 123,296</u>

- B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2022 by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Dolly Parton Imagination Library	\$ 17,682
Foundation of the Carolinas - Operation Restoration	22,406
Cumberland Community Foundation - Family Connects	29,457
Partnership for Children Annual Fundraiser - Early Care & Education Initiatives	1,627
Partnership for Children Annual Fundraiser - Mission Moments	139
	<u>\$ 71,311</u>

- C. Net Assets With Donor Restrictions** - Endowments restricted in perpetuity at June 30, 2022 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, 2022, the Cumberland County Partnership had Board designated funds of \$50,000 for the following programs:

Region 5 Federal Grants (if there is a government funding reduction)	<u>\$ 50,000</u>
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NOTE 13 - FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The following reflects Cumberland County Partnership's financial assets as of June 30, 2022 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2022:

Financial assets at year-end	\$ 846,909
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)	(123,296)
Perpetually restricted by donor (See Note 11C)	(31,384)
Board Designated Funds: (See Note 12)	<u>(50,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 642,229</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, 2022. 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 deposit, stocks, 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 certificates of deposit, stocks and E-Trade fund 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, 2022.

Income tax returns from 2019 through 2021 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, 2022 was \$49,236; 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, 2022, 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, 2022. 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, 2022 follows:

	<u>Without Donor Restrictions</u>	<u>With Donor 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, 2022 and March 20, 2023, 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, 2022 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, 2022.

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, 2022

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
Action Pathways, Inc. (formerly Cumberland Community Action Program, Inc.)	* \$ 18,360	\$ -	\$ 404,122	\$ -
Anson County Partnership for Children	-	-	9,954	-
Autism Society of Cumberland County	39,745	-	-	-
Carolina Collaborative Community Care (4C's)	116,100	442	-	-
Cumberland County Schools	* 63,877	-	1,503,900	-
Cumberland County Health Department	34,873	-	-	-
Fayetteville State University	18,472	-	239,833	-
Fayetteville Technical Community College	* 218,810	-	-	-
Kerri Hurley	74,819	-	-	-
Montgomery County Partnership for Children	-	-	8,345	-
Partners for Children & Families of Moore County	-	-	27,347	-
Richmond County Partnership for Children	-	-	9,479	-
	<u>585,056</u>	<u>442</u>	<u>2,202,980</u>	<u>-</u>
Individuals:				
NC Pre-K Materials and Supplies	-	-	4,435	-
Child Care Expense Reimbursements (Subsidy - TANF)	227,070	-	4,785	-
Child Care Expense Reimbursements (Subsidy - Non-TANF)	11,682	-	-	-
Child Care Expense Reimbursements (NC Pre-K Subsidy - TANF)	239,403	-	6,543,260	-
Child Care Expense Reimbursements (Registration Fees & Transportation - Non-TANF)	1,720	-	140	-
Stipends / Scholarships / Bonuses	8,500	-	-	-
Participant Training Grants	2,489	-	-	-
	<u>490,864</u>	<u>-</u>	<u>6,552,620</u>	<u>-</u>
	<u>\$ 1,075,920</u>	<u>\$ 442</u>	<u>\$ 8,755,600</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.

See Independent Auditor's Report.

Partnership for Children of Cumberland County, Inc.
Schedule of State Level Service Provider Contracts (Unaudited)
For the Year Ended June 30, 2022

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$	\$ 648,091
Cumberland County Department of Social Services *	2,606,113
	<u>\$ 3,254,204</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.

See Independent Auditor's Report.

Partnership for Children of Cumberland County, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2022

Schedule 3

Federal Grantor/State Grantor/Pass-through Grantor/Program		Federal Assistance Listing Number	Contract Number	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	005-22C	\$ 242,963	\$ 334,823
Child Care and Development Block Grant (Current Year)	**	93.575	005-22-IT	142,828	158,583
Child Care and Development Block Grant (Current Year)	**	93.575	005-22-HSB	255,927	290,024
Child Care and Development Block Grant (Prior Year)	**	93.575	005-21C	-	7,669
Child Care and Development Block Grant (Prior Year)	**	93.575	005-21-IT	-	12,479
Child Care and Development Block Grant (Prior Year)	**	93.575	005-21-HSB	-	32,705
Child Care and Development Block Grant (Future Year)	**	93.575	005-23C	-	17,609
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					
COVID 19 - Child Care and Development Block Grant (CRRSA) (NC Pre-K) (Prior Year)	** *	93.575	40314	845,625	790,265
COVID 19 - Child Care and Development Block Grant (CRRSA) (NC Pre-K) (Current Year)	** *	93.575	42013	148,344	147,792
Child Care and Development Block Grant (NC Pre-K) (Current Year)	** *	93.575	42013	174,970	157,786
Child Care and Development Block Grant (NC Pre-K) (Prior Year)	** *	93.575	40314	-	7
Child Care and Development Fund (NC Pre-K) (Future Year)	** *	93.575	43841	-	6,247
Temporary Assistance for Needy Families (NC Pre-K) (Current Year)	** *	93.558	42013	3,408,422	3,410,235
Temporary Assistance for Needy Families (NC Pre-K) (Prior Year)	** *	93.558	40314	-	551
United States Department of Health and Human Services					
Pass-through from the North Carolina Department of Health and Human Services					
Pass-through from The North Carolina Partnership for Children, Inc.					
Every Student Succeeds Act/Preschool Development Grants (Family Connects) (Prior Year)	** *	93.434	312:20/21-09123	1,001,893	1,097,736
Every Student Succeeds Act/Preschool Development Grants (Family Connects) (Future Year)	** *	93.434	312:20/21-09123	-	3,012
Child Care and Development Block Grant (CCHC) (Prior Year)	** *	93.575	313:20/21-07423DPH	39,281	49,601
United States Department of Health and Human Services					
Pass-through from the North Carolina Department of Health and Human Services					
Pass-through from the Duke Sanford Center for Child and Family Policy					
Child Care and Development Block Grant (ITTI) (Current Year)	** *	93.575	41,768	1,000	1,000
Total Receipts and Expenditures of Federal Awards				<u>6,261,253</u>	<u>6,518,124</u>

Partnership for Children of Cumberland County, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2022

Schedule 3 (continued)

<u>Federal Grantor/State Grantor/Pass-through Grantor/Program</u>	<u>Federal Assistance Listing Number</u>	<u>Contract Number</u>	<u>Receipts</u>	<u>Expenditures</u>
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	(288)	(288)
Early Childhood Initiatives Program (Current Year) *		N/A	3,533,824	3,551,975
Early Childhood Initiatives Program (Future Year)		N/A	-	61,834
Multi-Partnership Accounting and Contracting Grant (Current Year)		197:20-21-006	101,042	101,042
Multi-Partnership Accounting and Contracting Grant (Future Year)		197:20-21-006	-	2,529
Dolly Parton's Imagination Library Expansion (Current Year)		N/A	30,000	47,682
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
North Carolina Pre-Kindergarten (Current Year) *		42013	5,058,513	5,072,988
North Carolina Pre-Kindergarten (Future Year) *		43841	-	14,521
Total Receipts and Expenditures of State Awards			<u>8,723,091</u>	<u>8,852,283</u>
Total Receipts and Expenditures of Federal and State Awards			<u>\$ 14,984,344</u>	<u>\$ 15,370,407</u>

* 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, 2022

Schedule 4

Furniture and Noncomputer Equipment	\$	318,525
Computer Equipment/Printers		225,515
Buildings		5,555,059
Leasehold Improvements		63,798
Motor Vehicles		<u>51,936</u>
Total Property and Equipment	\$	<u>6,214,833</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.

See Independent Auditor's Report.

Partnership for Children of Cumberland County, Inc.
Schedule of Qualifying Match (Non-GAAP) (Unaudited)
For the Year Ended June 30, 2022

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 210,747
Contributions of nonfinancial assets	<u>163,132</u>
	<u>\$ 373,879</u>

Match Provided at the Contractor Level:

Cash	\$ 169
Contributions of nonfinancial assets	<u>36,111</u>
	<u>\$ 36,280</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2021-180, Section 9C.6.(d). The match is comprised of both cash and contributions of nonfinancial assets. Only contributions of nonfinancial assets that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the 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.

For the fiscal year ended June 30, 2022 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, 2022.

See Independent Auditor's Report.

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., which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2022, 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 20, 2023.

As described in Note 1, the financial statements were 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.

Report on 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 as a basis for designing the 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Partnership for Children of Cumberland County, Inc.'s internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Partnership for Children of Cumberland County, Inc.'s financial statements are free from 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Charlotte, North Carolina
March 20, 2023