

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

FAYETTEVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2023

BOARD OF DIRECTORS
SANDEE GRONOWSKI, 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, 2023, 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, 2023, and the Statement of Functional Expenditures - Modified Cash Basis for the year then 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 January 16, 2024, 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 16, 2024

Partnership for Children of Cumberland County, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2023

Exhibit A

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Receipts:			
State Awards and Contracts	\$ 7,943,384	\$ 31,246	\$ 7,974,630
Federal Awards	6,004,053	200,899	6,204,952
Private Contributions	46,329	46,511	92,840
Special Fundraising Events	(3,525)	-	(3,525)
Interest and Investment Earnings	4,675	-	4,675
Sales Tax Refunds	18,592	-	18,592
Other Receipts	591,262	-	591,262
Total Receipts	14,604,770	278,656	14,883,426
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	111,708	(111,708)	-
	14,716,478	166,948	14,883,426
Expenditures:			
Programs:			
Child Care and Education Affordability	289,664	-	289,664
Child Care and Education Quality	1,586,896	-	1,586,896
Family Support	1,083,449	-	1,083,449
Health and Safety	1,963,189	-	1,963,189
NC Pre-K	9,021,230	-	9,021,230
Support:			
Fundraising	22,654	-	22,654
Management and General	489,003	-	489,003
Program Planning, Coordination and Evaluation	304,006	-	304,006
IT Support and Services	126,975	-	126,975
Other:			
Refund of Prior Year Grant	87,503	-	87,503
Sales Tax Paid	16,252	-	16,252
Total Expenditures	14,990,821	-	14,990,821
Excess (Deficiency) of Receipts Over Expenditures	(274,343)	166,948	(107,395)
Net Assets at Beginning of Year	692,229	154,680	846,909
Net Assets at End of Year	\$ 417,886	\$ 321,628	\$ 739,514
Net Assets Consisted of:			
Cash and Cash Equivalents	\$ 947,162	\$ 290,244	\$ 1,237,406
Beneficial Interest in the Community Foundation	-	31,384	31,384
Investments	327,427	-	327,427
Refunds Due From Contractors	2,735	-	2,735
	1,277,324	321,628	1,598,952
Less: Due to State	862,922	-	862,922
Funds Held for Others	(3,484)	-	(3,484)
Total Net Assets	\$ 417,886	\$ 321,628	\$ 739,514

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, 2023

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	\$ 289,664	\$ 10,536	\$ 2,481	\$ 226	\$ 1,734	\$ 33	\$ 409	\$ 274,245
Child Care and Education Quality	765,084	531,861	61,933	71,594	69,719	9,308	18,290	2,379
Family Support	668,866	374,995	116,661	23,870	106,938	7,009	21,451	17,942
Health and Safety	272,707	10,368	-	1,259	8,045	-	-	253,035
NC Pre-K	449,887	-	-	-	-	-	-	449,887
	<u>2,446,208</u>	<u>927,760</u>	<u>181,075</u>	<u>96,949</u>	<u>186,436</u>	<u>16,350</u>	<u>40,150</u>	<u>997,488</u>
Support:								
Fundraising	22,654	2,540	14,400	1,599	4,115	-	-	-
Management and General	320,767	213,504	37,859	10,190	29,138	17,671	12,405	-
Program Planning, Coordination and Evaluation	294,789	209,407	15,486	41,462	23,990	1,265	3,179	-
	<u>638,210</u>	<u>425,451</u>	<u>67,745</u>	<u>53,251</u>	<u>57,243</u>	<u>18,936</u>	<u>15,584</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 3,084,418</u>	<u>\$ 1,353,211</u>	<u>\$ 248,820</u>	<u>\$ 150,200</u>	<u>\$ 243,679</u>	<u>\$ 35,286</u>	<u>\$ 55,734</u>	<u>\$ 997,488</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 821,812	\$ 629,281	\$ 28,621	\$ 22,866	\$ 56,863	\$ 5,424	\$ 9,155	\$ 69,602
Family Support	414,583	67,171	35,721	4,667	121,531	12,205	173,288	-
Health and Safety	1,690,482	320,847	1,342,440	1,927	16,417	3,082	5,769	-
NC Pre-K	8,571,343	780,697	34,718	9,931	46,115	7,853	7,820	7,684,209
	<u>11,498,220</u>	<u>1,797,996</u>	<u>1,441,500</u>	<u>39,391</u>	<u>240,926</u>	<u>28,564</u>	<u>196,032</u>	<u>7,753,811</u>
Support:								
Management and General	168,236	150,044	6,062	2,429	6,683	2,597	421	-
Program Planning, Coordination and Evaluation	9,217	5,186	-	4,000	31	-	-	-
IT Support and Services	126,975	240,744	(142,730)	9,588	14,525	1,061	3,787	-
	<u>304,428</u>	<u>395,974</u>	<u>(136,668)</u>	<u>16,017</u>	<u>21,239</u>	<u>3,658</u>	<u>4,208</u>	<u>-</u>
Other:								
Refund of Prior Year Grant	87,503	-	-	-	-	87,503	-	-
Sales Tax Paid	16,252	-	-	16,252	-	-	-	-
	<u>103,755</u>	<u>-</u>	<u>-</u>	<u>16,252</u>	<u>-</u>	<u>87,503</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 11,906,403</u>	<u>\$ 2,193,970</u>	<u>\$ 1,304,832</u>	<u>\$ 71,660</u>	<u>\$ 262,165</u>	<u>\$ 119,725</u>	<u>\$ 200,240</u>	<u>\$ 7,753,811</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, 2023

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. Cumberland County Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. 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 Financial Accounting Standards Board's Accounting Standard 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. 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 - Modified Cash Basis 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 certificates of deposit and other short-term investments with an original maturity of three months or less.
- E. Investments** - This classification includes money market mutual funds and certificates of deposit for which the original maturity term exceeds three months, and corporate stocks. 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 State** - The funding provided by the State of North Carolina for the Smart Start Initiative 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 Cumberland County Partnership acts in an agency capacity. For the year ended June 30, 2023, 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, 2023.

The amounts are as follows:

Tenant Security Deposits	\$ 15,091
AFLAC Insurance Plan	9
Flexible Spending Plan	328
Health Insurance Plan	(380)
Pre-Funded Insurance Plan	(18,141)
Retirement Withheld	268
Forfeited FSA Funds	(659)
	<u>\$ (3,484)</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. 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, 2023. Donated items are recorded on the property and equipment log at estimated fair market 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 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 of Financial and Nonfinancial Assets** - 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, the Cumberland County Partnership utilizes fair value on the date of the gift. Nonfinancial assets could be donated equipment,

supplies, office space, or services. The 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, 2023, 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.

NOTE 2 - DEPOSITS

- A. Deposits** - All funds of 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, 2023, the Cumberland County Partnership's bank deposits in excess of the FDIC insured limit was \$916,841.

- 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, 2023 as follows:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Stocks	\$ 98,850	\$ 3,482	\$ -	\$ 102,332
Mutual Funds	15,694	3,137	-	18,831
Money market	3,456	3,218	-	6,674
Certificate of Deposit	209,427	-	-	209,427
Total	<u>\$ 327,427</u>	<u>\$ 9,837</u>	<u>\$ -</u>	<u>\$ 337,264</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, 2023 are as follows:

Investment Earnings - Certificates of Deposit	\$ 1,413
Interest	<u>3,262</u>
	<u>\$ 4,675</u>

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

Money Market Mutual Funds - Mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. The Cumberland County Partnership's interests in such investments are classified within Level 1 of the valuation hierarchy.

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

The following table sets forth by level within the fair value hierarchy, the Cumberland County Partnership's investments and endowments as of June 30, 2023:

	Level 1	Level 2	Level 3	Total Fair Value
Stocks	\$ 102,332	\$ -	\$ -	\$ 102,332
Mutual Funds	18,831	-	-	18,831
Money market	6,674	-	-	6,674
Certificate of Deposit	209,427	-	-	209,427
Endowment	53,694	-	-	53,694
Total	<u>\$ 390,958</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 390,958</u>

NOTE 4 - FUNDING FROM GRANT AWARDS AND CONTRACTS

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

Associated with these contracts, 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 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.

Cumberland County Partnership was awarded and has received \$4,009,350 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. Cumberland County Partnership refunded \$862,922 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2023. Cumberland County Partnership has also refunded \$178 in prior year contracts during the year ended June 30, 2023.

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

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

Cumberland County Partnership does not expect to receive continued funding through new DPIL contracts with NCPC.

Multi-Partnership Accounting and Contracting Grant - Cumberland County Partnership was awarded and received \$102,473 and expended \$99,944 under a current year contract with NCPG. The unexpended balance of this contract is subject to reversion to the State.

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

NC Pre-K - Cumberland County Partnership received revenue and support from the State of North Carolina and DHHS for the NC Pre-K program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of Cumberland County Partnership and represents a concentration of credit risk as to the generation of revenue. Cumberland County Partnership was awarded \$9,994,655, received \$8,359,543 and expended \$8,570,996 under a current year financial assistance contract. Cumberland County Partnership reverted \$21,610 in unexpended grant funds under a prior year NC Pre-K contract during the year ended June 30, 2023. Additionally, Cumberland County Partnership reverted \$55,360 in unexpended grant funds under a prior year NC Pre-K Summer Learning Program contract during the year ended June 30, 2023.

Cumberland County Partnership expects to receive continued funding through new NC Pre-K contracts with the State and DHHS.

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.

Cumberland County Partnership was awarded \$899,178, received \$753,495 and expended \$799,938 under three current year grant contracts with SWCDC. The Cumberland County Partnership also received \$83,756 and expended \$12,834 under a prior year contract during the year ended June 30, 2023.

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

Preschool Development Grant - Family Connects - Cumberland County Partnership was awarded \$3,735,268, received \$1,355,140, and expended \$1,493,395 under a prior year contract with NCPG. The grant term is March 1, 2021 through November 30, 2023.

Cumberland County Partnership does not expect to receive continued funding through new contracts with the State.

Child Care Health Consultant Contract (CCHC) - Cumberland County Partnership was awarded \$188,552, received \$148,925, and expended \$137,559 under a prior year contract with NCPG. The grant term is February 1, 2021 through June 30, 2023.

Cumberland County Partnership does not expect to receive continued funding through new contract contracts with the State.

Coronavirus State and Local Fiscal Recovery Funds (ARPA) - Cumberland County Partnership was awarded \$1,000,000, and received \$200,000 under a current year contract with the City of Fayetteville, North Carolina. The grant term is August 1, 2022 through June 30, 2025.

Cumberland County Partnership does not expect to receive continued funding through new ARPA contracts with the City of Fayetteville.

NOTE 5 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of Cumberland County Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of Cumberland County Partnership that board members not be involved with decisions regarding organizations they represent. During the year, 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 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 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, professional development and supplements and lending library services.

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 prekindergarten services in order to enhance kindergarten readiness.

B. Support Functions

Fundraising - 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, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

IT Support and Services - Expenditures that are incurred related to information technology support and services.

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 estimates of utilization.

NOTE 7 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2023:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2024	\$ 15,729
Total Minimum Lease Payments	<u>\$ 15,729</u>

Rental expense for all operating leases during the year was \$18,202.

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, 2023, the Cumberland County Partnership received \$198,407 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, 2023:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2024	\$ 161,057
2025	<u>44,267</u>
Total Minimum Lease Payments	<u>\$ 205,324</u>

NOTE 8 - PENSION PLAN

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, 2023, the Cumberland County Partnership contributed \$69,727 in matching retirement benefits.

NOTE 9 - RISK MANAGEMENT

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. 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 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 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, 2023 is \$172,120. No funds or reservation of net assets has been made for this commitment.
- B. Loan Commitment** - During the year ended June 30, 2022, the Cumberland County Partnership obtained an infrastructure loan in the amount of \$1,300,000 with an interest rate of 2.85%. The loan matures on November 15, 2031. During the year ending June 30, 2023, \$165,663 of the loan was drawn down for a total balance of \$195,663 outstanding as of June 30, 2023.

NOTE 11 - RESTRICTIONS ON NET ASSETS

- A. Net Assets With Donor Restrictions** - Net assets with donor restrictions not in perpetuity at June 30, 2023 are restricted for the following purposes:

Purpose	Amount
City of Fayetteville NC Grant (ARPA)	\$ 200,000
NC Pre-K Grant	31,246
Cannon Foundation FRC Operations Restoration	30,000
Cumberland Community Foundation - Family Connects	16,512
Partnership for Children Annual Fundraiser - Administrative	6,587
Falcon Children's Home Car Safety Seal	5,000
NCPC's Child Care Health Consultant (CCHC)	899
	<u>\$ 290,244</u>

- B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2023 by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
NC Pre-K Summer Learning Grant	\$ 55,360
Cumberland Community Foundation - Family Connects	28,004
NC Pre-K (CCDF)	21,610
Cumberland Community Foundation - Diaper Bank Distribution	6,734
	<u>\$ 111,708</u>

- C. Net Assets With Donor Restrictions** - Endowments restricted in perpetuity at June 30, 2023 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, 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, 2023, the Cumberland County Partnership had Board designated funds of \$50,000 for the following programs:

Program	Amount
Region 5 Federal Grants (if there is a government funding reduction)	<u>\$ 50,000</u>

NOTE 13 - FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The following reflects Cumberland County Partnership financial assets as of June 30, 2023 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2023:

Financial assets at year-end	\$ 739,514
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)	(290,244)
Restricted in perpetuity by donor (see Note 11C)	(31,384)
Board designation (see Note 12)	<u>(50,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 367,886</u>

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, 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, 2023. 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

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. Management has analyzed the tax positions taken by the Cumberland County Partnership and has concluded that, as of June 30, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

Income tax returns for 2020 through 2022 remain open to examination by the 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, 2023 was \$53,694; 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, 2023, 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 restricted in perpetuity.

Contributions from funds held, raised or collected by Cumberland County Partnership but not processed through its bank accounts are not recorded. Contributions restricted in perpetuity 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, 2023. Similarly, investment earnings and expenses of endowments held by the CCF 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, 2023 follows:

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

NOTE 17 - SUBSEQUENT EVENTS

Cumberland County Partnership has evaluated events and transactions that occurred between June 30, 2023 and January 16, 2024, 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, 2023 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, 2023.

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, 2023

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.)	* \$ 14,515	\$ -	\$ 271,740	\$ -
Anson County Partnership for Children	-	-	9,954	-
Carolina Collaborative Community Care (4C's)	119,807	2,735	-	-
Cumberland County Schools	* 99,228	-	1,750,631	-
Cumberland County Health Department	62,490	-	-	-
Fayetteville State University	14,731	-	246,785	-
Fayetteville Technical Community College	* 219,388	-	-	-
Kerri Hurley	91,415	-	-	-
Montgomery County Partnership for Children	-	-	8,345	-
Partners for Children & Families of Moore County	-	-	31,451	-
Richmond County Partnership for Children	-	-	19,577	-
	<u>621,574</u>	<u>2,735</u>	<u>2,338,483</u>	<u>-</u>
Individuals:				
Child Care Expense Reimbursements (Subsidy - TANF)	44,821	-	-	-
Child Care Expense Reimbursements (Subsidy - Non-TANF)	9,721	-	-	-
Child Care Expense Reimbursements (NC Pre-K Subsidy - TANF)	315,086	-	4,685,666	-
Child Care Expense Reimbursements (NC Pre-K Subsidy -Non-TANF)	6,327	-	725,096	-
Child Care Expense Reimbursements (Registration Fees & Transportation - Non-TANF)	315	-	-	-
Stipends / Scholarships / Bonuses	2,200	-	4,290	-
Participant Training Grants	179	-	276	-
	<u>378,649</u>	<u>-</u>	<u>5,415,328</u>	<u>-</u>
	<u>\$ 1,000,223</u>	<u>\$ 2,735</u>	<u>\$ 7,753,811</u>	<u>\$ -</u>

* These organizations are represented on the 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, 2023

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$	\$ 720,000
Cumberland County Department of Social Services *	2,607,000
	<u>\$ 3,327,000</u>

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.

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

Partnership for Children of Cumberland County, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2023

Schedule 3

Federal/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 (Prior Year)	93.575	005-22C	\$ 70,922	\$ -
Child Care and Development Block Grant (Current Year)	93.575	005-23C	321,411	355,691
Child Care and Development Block Grant (Prior Year)	93.575	005-22-IT	12,834	12,834
Child Care and Development Block Grant (Current Year)	93.575	005-23-B3QI	134,437	139,723
Child Care and Development Block Grant (Current Year)	93.575	005-23-HSB	297,647	304,524
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				
Child Care and Development Block Grant (NC Pre-K) (Prior Year)	* 93.575	42013	-	21,610
COVID 19 - Child Care and Development Block Grant (CRRSA) (NC Pre-K) (Prior Year)	* 93.575	40314	-	55,360
COVID-19 - Child Care and Development Block Grant - ARPA (NC Pre-K) (Current Year)	* 93.575	43841	114,039	138,463
Child Care and Development Block Grant (NC Pre-K) (Current Year)	* 93.575	43841	155,125	170,530
Temporary Assistance for Needy Families (NC Pre-K) (Current Year)	** * 93.558	43841	3,394,472	3,408,422
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	1,355,140	1,493,395
Child Care and Development Block Grant (CCHC) (Prior Year)	93.575	313:20/21-07423DPH	148,925	137,559
United States Department of Treasury				
Pass-through from the City of Fayetteville, North Carolina				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (ARPA) (Current Year)	21.027	CF-07	200,000	-
Total Receipts and Expenditures of Federal Awards			<u>6,204,952</u>	<u>6,238,111</u>

Partnership for Children of Cumberland County, Inc.
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2023

Schedule 3 (continued)

<u>Federal/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	(178)	(178)
Early Childhood Initiatives Program (Current Year)	*	N/A	3,146,428	3,084,596
Multi-Partnership Accounting and Contracting Grant (Current Year)		197:20/21-006	102,473	99,944
Dolly Parton's Imagination Library Expansion (Current Year)		N/A	30,000	30,000
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
NC Pre-K (Current Year)	*	43841	4,695,907	4,853,581
Total Receipts and Expenditures of State Awards			<u>7,974,630</u>	<u>8,067,943</u>
Total Receipts and Expenditures of Federal and State Awards			<u>\$ 14,179,582</u>	<u>\$ 14,306,054</u>

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

** Major Programs per 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, 2023

Schedule 4

Furniture and Noncomputer Equipment	\$ 365,010
Computer Equipment/Printers	230,674
Buildings	5,729,698
Leasehold Improvements	63,798
Motor Vehicles	<u>51,936</u>
Total Property and Equipment	<u>\$6,441,116</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, 2023

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 399,157
Contributions of other nonfinancial assets	<u>156,334</u>
	<u>\$ 555,491</u>

Match Provided at the Contractor Level:

Cash	\$ -
Contributions of other nonfinancial assets	<u>22,084</u>
	<u>\$ 22,084</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, 2023, 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, 2023.

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, 2023, 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 16, 2024.

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 were not 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
January 16, 2024