

The North Carolina Partnership for Children, Inc.

Raleigh, North Carolina

Financial Statement Audit Report For the Year Ended June 30, 2023

A Component Unit of the State of North Carolina

UNBIASED. IMPACTFUL. IRREFUTABLE.



A Department of the
State of North Carolina





North Carolina Office of the State Auditor

Jessica N. Holmes, State Auditor

www.auditor.nc.gov

Auditor's Transmittal

The Honorable Roy Cooper, Governor
The General Assembly of North Carolina
Board of Directors, The North Carolina Partnership for Children, Inc.

We have completed a financial statement audit of The North Carolina Partnership for Children, Inc. for the year ended June 30, 2023, and our audit results are included in this report. You will note from the independent auditor's report that we determined that the financial statements are presented fairly in all material respects.

The results of our tests disclosed no deficiencies in internal control over financial reporting that we consider to be material weaknesses in relation to our audit scope or any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads "Jessica N. Holmes".

Jessica N. Holmes
State Auditor

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Chapter 147, Article 5A of the North Carolina General Statutes gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



Independent Auditor's Report



North Carolina Office of the State Auditor

Jessica N. Holmes, State Auditor

www.auditor.nc.gov

Independent Auditor's Report

Board of Directors
The North Carolina Partnership for Children, Inc.
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The North Carolina Partnership for Children, Inc. (North Carolina Partnership), a component unit of the State of North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the North Carolina Partnership's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The North Carolina Partnership for Children, Inc., as of June 30, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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* (GAGAS), 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 The North Carolina Partnership for Children, 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.

Responsibilities of Management for the Financial Statements

The North Carolina Partnership's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 the North Carolina Partnership's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAGAS 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 GAGAS, 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 the North Carolina Partnership'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 the North Carolina Partnership'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial

statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

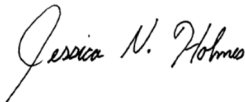
Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Carolina Partnership's basic financial statements. The accompanying supplementary schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary schedule of functional expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of functional expenses is fairly stated, in all material respects, in relation to the basic 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 February 22, 2024 on our consideration of the North Carolina Partnership'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 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 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 the North Carolina Partnership's internal control over financial reporting and compliance.



Jessica N. Holmes
State Auditor

Raleigh, North Carolina

February 22, 2024



Management's Discussion and Analysis

INTRODUCTION

The following discussion and analysis provides an overview to assist the reader in interpreting and understanding the accompanying basic financial statements. This overview includes a comparative financial analysis with discussion of significant changes from the prior year, as well as a discussion of currently known facts, decisions, and conditions. This information is provided by The North Carolina Partnership for Children, Inc.'s (North Carolina Partnership) management in conjunction with the issuance of the accompanying financial statements.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The *Statement of Net Position* provides information relative to the North Carolina Partnership's assets, deferred outflows, liabilities, deferred inflows, and net position as of the last day of the fiscal year. Assets and liabilities on this statement are categorized as either current or noncurrent. Current assets are those that are available to pay for expenses in the next fiscal year. Current liabilities are those payable in the next fiscal year. Net position on this statement is categorized as either net investment in capital assets, restricted, or unrestricted. Restricted net position is categorized as either nonexpendable or expendable. Overall, the *Statement of Net Position* provides information relative to the financial strength of the North Carolina Partnership and its ability to meet current and long-term obligations.

The *Statement of Revenues, Expenses, and Changes in Net Position* provides information relative to the results of the North Carolina Partnership's operations and nonoperating activities affecting net position that occurred during the fiscal year. Nonoperating activities primarily represent subsidies from the State in the form of state aid, noncapital gifts and grants, private contributions, and investment income. Overall, the *Statement of Revenues, Expenses, and Changes in Net Position* provides information relative to the North Carolina Partnership's management of its operations and its ability to maintain its financial strength. The above statements are articulated by agreeing the ending net position balance reported on both statements.

The *Statement of Cash Flows* provides information relative to the North Carolina Partnership's sources and uses of cash funds for operating activities, noncapital financing activities, capital and related financing activities, and investing activities. This statement provides a reconciliation of beginning cash and cash equivalent balances to ending cash and cash equivalent balances and is representative of activity reported on the *Statement of Revenues, Expenses, and Changes in Net Position* as adjusted for changes in beginning and ending balances of noncash accounts on the *Statement of Net Position*.

The three statements described above, along with the *Notes to the Financial Statements*, are the basic financial statements required by the Governmental Accounting Standards Board (GASB). In accordance with GASB, the financial statements are presented on the North Carolina Partnership as a whole and use reporting concepts in a manner similar to that required of a business enterprise.

The *Statement of Net Position* is presented in a classified format to aid the reader in understanding the nature of its financial statement balances.

The *Notes to the Financial Statements* accompanying these financial statements are an integral part of the financial statements and should be read in conjunction with the financial statements. The *Notes to the Financial Statements* provide additional detail and explanations about the amounts reported in the financial statements.

BRIEF AGENCY HIGHLIGHTS

The North Carolina Partnership provides statewide oversight of North Carolina's Smart Start Early Childhood Initiative. The North Carolina Partnership has notably increased its ability to provide effective oversight of, and technical assistance to, the 75 local partnerships that provide Smart Start services to families and children in their communities.

The North Carolina Partnership has received grants from several private organizations for assisting communities in North Carolina in the development, implementation, and integration of comprehensive community-based early childhood initiatives.

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The North Carolina Partnership's net position as of June 30, 2023, and June 30, 2022, was approximately \$2.0 million and \$1.5 million, respectively, an increase of approximately \$500,000 during the year.

CONDENSED STATEMENT OF NET POSITION

The following table summarizes the North Carolina Partnership's assets, deferred outflows/inflows, liabilities, and net position as of June 30, 2023 and 2022.

Condensed Statement of Net Position June 30, 2023 and 2022				
	2023	2022	Amount Change	Percent Change
Assets				
Current Assets	\$ 17,613,051	\$ 15,646,364	\$ 1,966,687	12.6%
Noncurrent Assets:				
Other	24,000	24,000		
Capital Assets, Net	1,434,068	995,319	438,749	44.1%
Total Assets	19,071,119	16,665,683	2,405,436	14.4%
Deferred Outflows of Resources	0	0	0	
Liabilities				
Current Liabilities:				
Long-Term Liabilities, Current Portion	275,817	394,583	(118,766)	(30.1)%
Other	15,537,637	13,938,485	1,599,152	11.5%
Long-Term Liabilities	1,301,653	805,277	496,376	61.6%
Total Liabilities	17,115,107	15,138,345	1,976,762	13.1%
Deferred Inflows of Resources	0	0	0	
Net Position				
Net Investment in Capital Assets	92,757	(19,423)	112,180	577.6%
Restricted:				
Nonexpendable	24,000	24,000		
Expendable	21,425	27,536	(6,111)	(22.2)%
Unrestricted	1,817,830	1,495,225	322,605	21.6%
Total Net Position	\$ 1,956,012	\$ 1,527,338	\$ 428,674	28.1%

ASSETS

Current assets as of June 30, 2023, consisted of \$7.1 million cash and cash equivalents, \$10.3 million receivables, and \$224,000 prepaid expenses. Current assets as of June 30, 2022, consisted of \$6.3 million cash and cash equivalents, \$9.1 million receivables, and \$175,000 prepaid expenses.

Current assets increased by \$2.0 million during the fiscal year ended June 30, 2023. The change primarily consisted of a \$1.0 million increase in due from the state, caused by the timing of receipt of payments for administrative funds which support the operation of the Partnership. Restricted cash and cash equivalents increased by \$1.3 million during the current year. This was primarily due to more state aid received for the Smart Start contract as noted below.

Noncurrent assets increased by \$440,000 primarily due to new office space lease terms that extend the building lease through April 30, 2030. The implementation of GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, resulted in a new category of capital assets which represents the North Carolina Partnership's acquisition of new technology hardware.

LIABILITIES

Current liabilities as of June 30, 2023, consisted primarily of \$12.3 million due to state and \$2.5 million unearned revenue. Current liabilities as of June 30, 2022, consisted primarily of \$10.1 million due to state and \$3.4 million unearned revenue.

Current liabilities increased by \$1.5 million during the fiscal year ended June 30, 2023. The increase consisted primarily of a \$2.2 million increase in amounts due to the state resulting from receipt of more reversion funds from the network of Smart Start organizations. Due to the lasting effects of the pandemic, many services and trainings have shifted to virtual mediums rather than in-person, resulting in much lower than planned costs to the local partnerships.

At June 30, 2023, noncurrent long-term liabilities increased from the prior year by \$500,000. This increase is primarily related to the new office space lease terms and technology hardware noted above.

NET POSITION

As of June 30, 2023, net investment in capital assets was \$93,000. Restricted nonexpendable net position of \$24,000 represents amounts subject to externally imposed restrictions which must be maintained in perpetuity. Restricted expendable net position of \$21,425 represents amounts subject to externally imposed restrictions. Unrestricted net position of \$1.8 million represents amounts not subject to externally imposed restrictions, but internally designated for various activities and initiatives.

For the year ended June 30, 2023, there was an increase in net position of \$429,000. This was primarily attributable to the increase in net nonoperating revenue, offset by an increase in operating expenses.

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the North Carolina Partnership's operations for the report period. The following table summarizes the North Carolina Partnership's revenues, expenses, and changes in net position for the years ended June 30, 2023 and 2022.

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended June 30, 2023 and 2022

	2023	2022	Amount Change	Percent Change
Operating Revenues	\$ 208,581	\$ 32,925	\$ 175,656	533.5%
Operating Expenses:				
Salaries and Benefits	4,720,678	3,875,560	845,118	21.8%
Supplies and Services	1,873,246	1,148,651	724,595	63.1%
Other Operating Expenses	303,222	112,790	190,432	168.8%
Fixed Charges and Other Expenses	412,094	251,981	160,113	63.5%
Purchase of Noncapitalized Equipment	39,947	39,525	422	1.1%
Depreciation/Amortization	329,621	363,922	(34,301)	(9.4)%
Total Operating Expenses	7,678,808	5,792,429	1,886,379	32.6%
Operating Loss	(7,470,227)	(5,759,504)	1,710,723	29.7%
Nonoperating Revenues:				
State Aid	120,585,947	112,055,713	8,530,234	7.6%
Investment Income	9,584	2,202	7,382	335.2%
Private Contributions	896,711	683,061	213,650	31.3%
Other Nonoperating Revenues	32,794		32,794	100.0%
Total Nonoperating Revenues	121,525,036	112,740,976	8,784,060	7.8%
Nonoperating Expenses:				
Interest and Fees on Leases/Subscriptions	56,423	35,208	21,215	60.3%
Contract and Grant Expenses	113,569,712	107,042,468	6,527,244	6.1%
Total Nonoperating Expenses	113,626,135	107,077,676	6,548,459	6.1%
Increase (Decrease) in Net Position	428,674	(96,204)	524,878	545.6%
Net Position Beginning of Year	1,527,338	1,623,542	(96,204)	(5.9)%
Net Position End of Year	\$ 1,956,012	\$ 1,527,338	\$ 428,674	28.1%
Total Revenues	\$ 121,733,617	\$ 112,773,901	\$ 8,959,716	7.9%
Total Expenses	\$ 121,304,943	\$ 112,870,105	\$ 8,434,838	7.5%

OPERATING REVENUES AND EXPENSES

For the fiscal years ended June 30, 2023 and 2022, operating expenses totaled \$7.7 million and \$5.8 million, respectively, and operating revenues totaled \$209,000 and \$33,000, respectively.

Operating expenses increased by \$1.9 million during the fiscal year ended June 30, 2023. This increase was primarily due to a \$845,000 increase in salaries and benefits for bonuses paid and a \$725,000 increase in contracted services for additional contracts for programmatic services and IT services.

NONOPERATING REVENUES AND EXPENSES

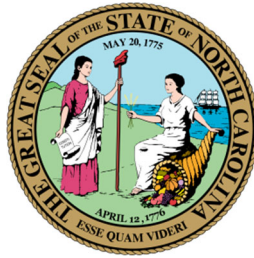
For the fiscal year ended June 30, 2023, nonoperating revenues totaled \$121.5 million, of which state aid was \$120.6 million. For the fiscal year ended June 30, 2022, nonoperating revenues totaled \$112.7 million, of which state aid was \$112.1 million.

Nonoperating revenues increased by \$8.8 million during the fiscal year ended June 30, 2023. The increase consisted primarily of an \$8.5 million increase in state aid due to an increase in state funds appropriated. As the number of young children preparing to enter school increases in North Carolina, the demand for services increases.

Nonoperating expenses increased by \$6.5 million during the fiscal year ended June 30, 2023. This was due to an increase in contract and grant expenses driven by increased volume and expenses associated with subcontracts related to other contracts with the State. The North Carolina Partnership provides oversight and funding to a network of Smart Start organizations across the State, resulting in significant grant disbursements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The main factors that impact the economic outlook for the North Carolina Partnership are private contributions and state aid. The North Carolina Partnership actively seeks private gifts to supplement the state aid received to support the mission of the Smart Start initiative.



Financial Statements

The North Carolina Partnership for Children, Inc.
Statement of Net Position
June 30, 2023

Exhibit A

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 789,498
Restricted Cash and Cash Equivalents	6,297,978
Accounts Receivable (Note 3)	10,301,811
Prepaid Expenses	223,764

Total Current Assets	17,613,051
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	24,000
Capital Assets - Depreciable, Net (Note 4)	1,434,068

Total Noncurrent Assets	1,458,068
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Total Assets	19,071,119
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DEFERRED OUTFLOWS OF RESOURCES

0

LIABILITIES

Current Liabilities:

Accounts Payable	627,280
Accrued Payroll	90,353
Due to State	12,283,113
Unearned Revenue	2,536,891
Long-Term Liabilities - Current Portion (Note 5)	275,817

Total Current Liabilities	15,813,454
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Noncurrent Liabilities:

Long-Term Liabilities (Note 5)	1,301,653
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Total Liabilities	17,115,107
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DEFERRED INFLOWS OF RESOURCES

0

NET POSITION

Net Investment in Capital Assets	92,757
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Restricted:

Nonexpendable:	
Annual Recognition Award	24,000

Expendable:	
Specific Child Care Related Activities	21,425

Unrestricted	1,817,830
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Total Net Position	\$ 1,956,012
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The accompanying notes to the financial statements are an integral part of this statement.

***The North Carolina Partnership for Children, Inc.
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2023***

Exhibit B

OPERATING REVENUES

Event Registrations	\$ 208,581
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OPERATING EXPENSES

Salaries and Benefits	4,720,678
Supplies and Services	1,873,246
Other Operating Expenses	303,222
Fixed Charges and Other Expenses	412,094
Purchase of Noncapitalized Equipment	39,947
Depreciation/Amortization	329,621
	<hr/>
Total Operating Expenses	7,678,808
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Operating Loss	(7,470,227)
	<hr/>

NONOPERATING REVENUES (EXPENSES)

State Aid	120,585,947
Investment Income	9,584
Private Contributions	896,711
Interest and Fees on Leases/Subscriptions	(56,423)
Contract and Grant Expenses	(113,569,712)
Other Nonoperating Revenues	32,794
	<hr/>
Net Nonoperating Revenues	7,898,901
	<hr/>
Increase in Net Position	428,674

NET POSITION

Net Position - July 1, 2022	1,527,338
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Net Position - June 30, 2023	\$ 1,956,012
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The accompanying notes to the financial statements are an integral part of this statement.

The North Carolina Partnership for Children, Inc.
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

Exhibit C

CASH FLOWS FROM OPERATING ACTIVITIES

Event Receipts	\$ 208,581
Payments to Employees and Fringe Benefits	(4,638,501)
Payments to Vendors and Suppliers	(2,517,242)
	<hr/>
Net Cash Used by Operating Activities	(6,947,162)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Aid	120,998,119
Grants to Local Partnerships and Other Organizations	(113,697,059)
Private Contributions	858,270
	<hr/>
Net Cash Provided by Noncapital Financing Activities	8,159,330

CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES

Acquisition of Capital Assets	(45,648)
Principal Paid on Lease/Subscription Liabilities	(363,359)
Interest and Fees Paid on Lease/Subscription Liabilities	(56,423)
	<hr/>
Total Cash Used by Capital Financing and Related Financing Activities	(465,430)

CASH FLOWS FROM INVESTING ACTIVITIES

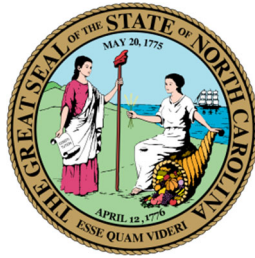
Investment Income	9,584
	<hr/>
Total Cash Provided by Investing Activities	9,584

Net Increase in Cash and Cash Equivalents	756,322
Cash and Cash Equivalents - July 1, 2022	6,355,154
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Cash and Cash Equivalents - June 30, 2023	\$ 7,111,476

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (7,470,227)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	329,621
Changes in Assets:	
Accounts Receivable	(56,771)
Prepaid Expenses	(48,851)
Changes in Liabilities:	
Accounts Payable	216,889
Accrued Payroll	31,136
Compensated Absences	51,041
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Net Cash Used by Operating Activities	\$ (6,947,162)

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



Notes to the Financial Statements

Note 1 - Significant Accounting Policies

A. Organization & Purpose - The North Carolina Partnership for Children, Inc. (North Carolina Partnership) is a legally separate nonprofit organization incorporated on March 31, 1993. The North Carolina Partnership provides technical assistance and training for local Smart Start partnerships (currently 75) in the areas of program development, administration, organizational development, communication, financial management, technology, contracts management, and fundraising. The North Carolina Partnership adheres to a comprehensive accountability plan to ensure programs, services, and funds reach the children and families of North Carolina. The North Carolina Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

B. Financial Reporting Entity - The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The North Carolina Partnership is a component unit of the State of North Carolina and an integral part of the State's *Annual Comprehensive Financial Report*.

Component units are legally separate entities for which the State is financially accountable. Accountability is defined as the State's substantive appointment of a majority of the component unit's governing board. Furthermore, to be financially accountable, the State must be able to impose its will upon the component unit or there must be a possibility that the component unit may provide specific benefits to, or impose specific financial burdens on, the State. Financial accountability also exists when an organization is fiscally dependent upon the State.

As required by North Carolina General Statute 143B-168.12, certain elected State officials appoint 22 of the North Carolina Partnership's board members, while four board members serve ex-officio by virtue of their State positions. The State provides significant operating subsidies to the North Carolina Partnership creating a benefit/burden relationship.

Because of the State's appointment of the board and the benefit/burden relationship, the North Carolina Partnership is a component unit of the State of North Carolina and the North Carolina Partnership's financial statements are included in the State's *Annual Comprehensive Financial Report*.

The accompanying financial statements present all funds for which the North Carolina Partnership's Board of Directors is responsible.

C. Basis of Presentation - The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 84, *Fiduciary Activities*, governmental not-for-profit entities that reported as of June 30, 1999, using the American Institute of Certified Public Accountants Statement of Position 78-10,

Accounting Principles and Reporting Practices for Certain Nonprofit Organizations, may report as special-purpose governments engaged only in business-type activities. As such, the full scope of the North Carolina Partnership's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

- D. Basis of Accounting** - The financial statements of the North Carolina Partnership have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Nonexchange transactions, in which the North Carolina Partnership receives (or gives) value without directly giving (or receiving) equal value in exchange, include state aid, certain grants, and donations. Revenues are recognized as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

- E. Cash and Cash Equivalents** - This classification includes undeposited receipts, petty cash, and cash on deposit with private bank accounts.
- F. Receivables** - Receivables consist of unexpended grant amounts due from local partnerships and amounts due from the State in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Receivables are shown at book value and with no provision for doubtful accounts considered necessary.
- G. Prepaid Expenses** - The North Carolina Partnership records expenses allocable to future periods as prepaid expenses.
- H. Capital Assets** - Capital assets are stated at cost at date of acquisition or acquisition value at date of donation in the case of gifts. Donated capital assets acquired prior to July 1, 2015 are stated at fair value as of the date of donation. The value of assets constructed includes all material direct and indirect construction costs.

The North Carolina Partnership capitalizes assets that have a value or cost of \$5,000 or greater at the date of acquisition and an estimated useful life of more than one year.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 5 to 7 years for equipment.

Right-to-use leased and subscription assets are recorded at the present value of payments expected to be made during the lease or subscription term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. Lease and subscription liabilities are capitalized as right-to-use assets when the underlying leased or subscription asset has a cost of \$5,000 or greater and an estimated useful life of more than one year.

Amortization for right-to-use leased and subscription assets is computed using the straight-line method over the shorter of the lease/subscription term or the underlying asset's estimated useful life. If a lease agreement contains a purchase option the North Carolina Partnership is reasonably certain will be exercised, the right-to-use lease asset is amortized over the asset's estimated useful life.

- I. **Restricted Assets** – Certain resources are reported as restricted assets because restrictions on asset use change the nature or normal understanding of the availability of the asset. Resources that are not available for current operations and are reported as restricted include resources whose use is limited by external parties, statute, or endowment. The endowment fund of \$24,000 is included in the amount of deposits by private financial institutions.
- J. **Due to State** – The Smart Start program's funding from the State of North Carolina is recognized as revenue to the extent that allowable costs have been incurred. Any unexpended funds as of year-end are required to be reverted to the State.
- K. **Noncurrent Long-Term Liabilities** – Noncurrent long-term liabilities include lease liabilities, subscription liabilities and compensated absences that will not be paid within the next fiscal year.
- L. **Compensated Absences** – The North Carolina Partnership's policy is to record the cost of paid time off (PTO) earned. Unused PTO can be accrued and carried forward from one year to the next. However, no more than 80 hours can be carried forward into the new calendar year. PTO in excess of 80 hours at the end of the calendar year is converted into family leave. When classifying compensated absences into current and noncurrent, leave is considered taken on a last-in, first-out (LIFO) method. Any unused PTO is not paid to the employee upon termination of employment. The policy provides for unlimited accumulation of family leave, but the employee cannot be compensated for any unused family leave upon termination of employment.

The North Carolina Partnership recognizes three separate employment types, distinguished by the expected duration of employment and the number of hours regularly worked each week. The three categories are: full-time with full benefits, full-time temporary with partial benefits, and part-time with partial benefits. Each employment type provides for different eligibility levels of benefits. These employment types do not alter the employment-at-will doctrine and, therefore, do not guarantee employment for any specified period of time. Benefits are subject to change from time to time, and may be reduced, modified, or terminated at the discretion of the North Carolina Partnership.

- M. **Net Position** – The North Carolina Partnership's net position is classified as follows:

Net Investment in Capital Assets – This represents the North Carolina Partnership's total investment in capital assets, net of outstanding liabilities related to those capital assets.

Restricted Net Position – Nonexpendable – Nonexpendable restricted net position consists of an endowment for which the use is limited by the donors or other outside sources. As a condition of the gift, the principal is generally not distributed, thus building a permanent and growing support for the endowment objective. However, it is the wish of the donor that an amount of \$1,000 be made annually, even if the principal must be utilized. Any expenditure of principal must be approved by the Trustees of the endowment.

Restricted Net Position – Expendable – Expendable restricted net position includes resources for which the North Carolina Partnership is legally or contractually obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted Net Position – Unrestricted net position includes resources derived from unrestricted gifts and interest income. It also includes the net position of accrued employee benefits such as compensated absences and the retirement plan.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based on management's decision.

N. Revenue and Expense Recognition – The North Carolina Partnership classifies its revenues and expenses as operating or nonoperating in the accompanying Statement of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the North Carolina Partnership's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions. Operating expenses are all expense transactions incurred other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions. Revenues from nonexchange transactions and state aid that represent subsidies or gifts to the North Carolina Partnership, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities.

Note 2 - Deposits and Investments

The North Carolina Partnership is required by North Carolina General Statute 147-77 to deposit any funds collected or received that belong to the State of North Carolina with the State Treasurer or with a depository institution in the name of the State Treasurer. All funds of the North Carolina Partnership, other than those required to be deposited with the State Treasurer, are deposited in board-designated official depositories.

Cash on hand at June 30, 2023 was \$367. The carrying amount of the North Carolina Partnership's deposits not with the State Treasurer was \$7,111,109 and the bank balance was \$7,116,786. Custodial credit risk is the risk that in the event of a bank failure, the North Carolina Partnership's deposits may not be returned to it. The North Carolina Partnership does not have a deposit policy for custodial credit risk. As of June 30, 2023, the North Carolina Partnership's uninsured and uncollateralized bank balance was \$6,866,786.

Note 3 - Receivables

Accounts receivable at June 30, 2023, were as follows:

	Amount
Accounts Receivable:	
Due from Local Partnerships	\$ 8,660,383
Due from State	1,578,425
Sales Tax and Other Receivables	63,003
Total Accounts Receivable	\$ 10,301,811

The North Carolina Partnership expects to collect these receivables.

Note 4 - Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2023, is presented as follows:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Capital Assets, Depreciable:				
Machinery and Equipment	\$ 517,490	\$ 45,648	\$ 0	\$ 563,138
Right-to-Use Leased Building	1,348,726	1,392,925	1,348,726	1,392,925
Right-to-Use Subscription Assets		139,033		139,033
Total Capital Assets, Depreciable	1,866,216	1,577,606	1,348,726	2,095,096
Less Accumulated Depreciation/Amortization for:				
Machinery and Equipment	511,238	7,383		518,621
Right-to-Use Leased Building	359,659	275,894	539,490	96,063
Right-to-Use Subscription Assets		46,344		46,344
Total Accumulated Depreciation/Amortization	870,897	329,621	539,490	661,028
Total Capital Assets, Depreciable, Net	\$ 995,319	\$ 1,247,985	\$ 809,236	\$ 1,434,068

Note 5 - Long-Term Liabilities

A summary of changes in the long-term liabilities for the year ended June 30, 2023, is presented as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
Lease Liabilities	\$ 1,014,742	\$ 1,392,925	\$ 1,156,551	\$ 1,251,116	\$ 210,842
Subscription (SBITA) Liabilities		90,195		90,195	43,731
Compensated Absences	185,118	409,241	358,200	236,159	21,244
Total Long-Term Liabilities	\$ 1,199,860	\$ 1,892,361	\$ 1,514,751	\$ 1,577,470	\$ 275,817

Additional information regarding lease and subscription (SBITA) liabilities is included in Note 6.

Note 6 - Leases and Subscription-Based Information Technology Arrangements

- A. Lessee Arrangements** – The North Carolina Partnership has a lease agreement for the right to use office space from an external party. The lease expires April 30, 2030, and has a renewal option. The lease liability and right-to-use leased asset are recorded at the present value of payments expected to be made during the lease term, plus any upfront payments and ancillary charges paid to place the underlying right-to-use asset into service. The expected payments are discounted using the interest rate stated per the lease contract. The lease arrangement at June 30, 2023, is summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2023	Current Portion	Lease Terms	Interest Rate
Lessee:					
Right-to-Use Leased Building	1	\$ 1,251,116	\$ 210,842	87 Months	7.25%

During the year the North Carolina Partnership did not recognize any variable payment amounts.

- B. Subscription-Based Information Technology Arrangements (SBITAs)** – The North Carolina Partnership enters SBITAs for the right to use information technology software and cloud computing arrangement from an external party. The current SBITA expires October 30, 2025, and has a renewal option. The subscription liability and the related right-to-use subscription assets are recorded based on the present value of expected payments over the term of the SBITA. The expected payments are discounted using the interest rate stated per the SBITA contract. The North Carolina Partnership's SBITA is summarized below (excluding short-term SBITAs):

SBITA	Number of SBITAs	Subscription (SBITA) Liabilities June 30, 2023	Current Portion	SBITA Terms	Interest Rate
Lessee:					
Right-to-Use Subscription Assets	1	\$ 90,195	\$ 43,731	3 years	6.25%

During the year the North Carolina Partnership did not recognize any variable payment amounts.

C. Annual Requirements - Annual Requirements to pay principal and interest on leases and SBITAs at June 30, 2023, are as follows:

Fiscal Year	Annual Requirements			
	Lease Liabilities		Subscription (SBITA) Liabilities	
	Principal	Interest	Principal	Interest
2024	\$ 210,842	\$ 86,735	\$ 43,731	\$ 5,637
2025	206,830	70,282	46,464	2,904
2026	142,616	57,707		
2027	158,871	46,460		
2028	176,517	33,947		
2029-2030	355,440	25,095		
Total Requirements	\$ 1,251,116	\$ 320,226	\$ 90,195	\$ 8,541

Note 7 - Operating Expenses by Function

The costs of providing the various programs and activities have been presented by their natural classification in the Statement of Revenues, Expenses, and Changes in Net Position. Supplementary Schedule 1, accompanying the financial statements, provides a summarization of those expenses by their functional categories for the fiscal year. The following are the functional categories and the services associated with those functions:

A. Program Functions

Child Care Health Initiative - Resources provided to ensure children grow and learn in safe and healthy environments. Specifically, funds are used to expand access to health and safety consultation, training, and technical support of licensed child care programs as aligned with the 2020 Child Care Health Consultation Expansion plan.

Communications - Provision of outreach materials and technical assistance to local partnerships in the areas of crisis communication, media relations, desktop publishing, special event planning, and advocacy awareness.

Comprehensive Training Events - Expenses that are incurred in the provision of training events that foster an understanding of comprehensive early childhood service delivery and best practices in multiple functional areas. Participants may include state and local

partnership board members, staff and committee members, direct service providers, early childhood leaders and professionals, and others involved in the development of various facets of a comprehensive early childhood delivery system.

Early Literacy - Grants distributed to local partnerships for early literacy programs. Dolly Parton's Imagination Library promotes emergent literacy skills through a partnership with the Dollywood Foundation whereby families are recruited to participate and once children are enrolled, they receive an age-appropriate book in the mail each month up to their fifth birthday.

Early Childhood Systems and Research/Evaluation - Responsible for advising Smart Start local partnership activities within three core program areas (child care, family support, and health), ensuring they are aligned with research evidence, then approving and monitoring those activities throughout each fiscal year. Promotes continuous quality improvement by regularly reviewing early childhood community level data and long-term strategic plans from local partnerships. Uses trends to inform technical assistance that builds capacity and leads to sustainability of an integrated state-level system. Funds and implements additional early childhood programmatic initiatives. Conducts internal evaluations and oversees third party evaluations for strategic initiatives.

Family Engagement and Support - State funded program for planning a family engagement framework with local and state level input. The objective is to leverage the North Carolina Partnership's extensive network and expand infrastructure to deliver and foster family engagement activities and technical assistance in local communities.

Local Partnership Administration - Grants distributed to local partnerships for administering the Smart Start program on the local level.

Local Partnership Services - Grants distributed to local partnerships to perform direct services activities for the Smart Start program on the local level.

Leadership Development - Privately funded program to identify strategies and sustain leadership capacity, within the Smart Start network, in a way that aligns the needs of community members and community organizations and spark collective community action for child well-being.

Monitoring - Responsible for performing financial monitoring of, and providing technical assistance and training to, the local partnerships.

Other Private Awards - Privately funded programs to assist communities in the development, implementation, or integration of targeted or comprehensive community-based early childhood initiatives.

Regional Accounting (MAC) - Costs associated with the implementation and support of the Multi-Partnership Accounting and Contracting (MAC) plan. Costs include personnel, telecommunications systems, software, equipment, and supplies related to the support for the MAC sites.

Resiliency - An initiative to implement state-level strategies that support local efforts to address adverse childhood experiences (ACEs). Funds cover services to build community capacity to implement prevention strategy to mitigate the impacts of trauma, including

ACEs. Efforts are focused on building resilient communities and addressing adverse community environments for prevention of child abuse, neglect as well as opiate misuse and overdose prevention. Services provide evidence of best practices that address ACEs, including child maltreatment and opiate misuse.

B. Support Functions

Administration - Expenses that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to the organization's existence, including expenses for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

Fiscal - Responsible for maintaining the financial records and processing payments and receipts for the North Carolina Partnership. Also, responsible for developing and implementing proper accounting policies and procedures.

Fiscal Consulting and Contracting - Provides ongoing support to the network of Smart Start local partnerships on topic areas, including but not limited to, financial oversight and compliance, Smart Start guidelines and policies, contracts, and subsidies.

Fund Development - Expenses that are incurred to induce others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

Human Resources - Responsible for the administration of personnel related services and functions, including employee relations, recruiting, compensation and benefits, job descriptions, performance management, maintenance of employee records, and compliance with employment regulations.

Technology - Provision of technical assistance and training to the North Carolina Partnership and to the local partnership staff. Technical assistance is provided in the areas of selecting hardware, software, and acquiring outside consultants for training.

Note 8 - Retirement Plan

Defined Contribution Plan

Plan Administration: The North Carolina Partnership provides and administers The North Carolina Partnership for Children, Inc. Retirement Plan (Plan), which is a defined contribution plan, created under Internal Revenue Code Section 401(k). The Plan is open to all employees who have attained the age of 18 and have at least three months service.

Benefits Provided: The Plan provides distribution of benefits to participants who have reached retirement, become disabled, or to the designated beneficiary upon a participant's death. Participants in the Plan are immediately vested in the value of employee contributions. The value of employer contributions is vested 25%, 50%, and 100% after one year, two years, and three years of participation, respectively. If a participant's employment is terminated prior to becoming 100% vested in the employer contributions, then the amount is forfeited by the participant. The Plan forfeitures are held in a short-term money market trust retirement account until application towards restricted purposes outlined in the Basic Plan Document.

Contributions: Participant, eligibility, and contributory requirements are established by the North Carolina Partnership. Participants choose to contribute a dollar or percentage of their wage not to exceed the federal limit. The North Carolina Partnership makes a safe-harbor contribution to the Plan each year equal to 3% of the participants' compensation and may make additional discretionary employer contributions. For the year ended June 30, 2023, the North Carolina Partnership's Plan contributions were \$240,463. The North Carolina Partnership assumes no liability other than its contribution.

Note 9 - Risk Management

The North Carolina Partnership is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These exposures to loss are handled via a combination of methods, including participation in state-administered insurance programs, purchase of commercial insurance, and self-retention of certain risks. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

A. Employee Benefit Plan

Employees are provided health care coverage through a private insurance company. The plan is funded by employer and employee contributions and is administered by a third-party contractor.

B. Other Risk Management and Insurance Activities

1. Automobile, Fire, and Other Property Losses

Fire, coverage for other property losses, and vehicular liability insurance are covered by contracts with private insurance companies. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

2. Employee Dishonesty and Computer Fraud

The North Carolina Partnership is protected for losses from employee dishonesty and computer fraud for employees. The blanket honesty bond is with a private insurance company with coverage of \$250,000 per occurrence and a \$1,000 deductible.

3. Workers' Compensation

The North Carolina Partnership makes the necessary arrangements to carry out the provisions of the Workers' Compensation Act by purchasing workers' compensation insurance for employees through a private insurance company.

Note 10 - Related Parties

Local Partnership Contracts with Board Member Organizations - The board members of the North Carolina Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of the North Carolina Partnership that board members not be involved with decisions regarding organizations they represent. During the year, the North Carolina Partnership entered into contracts with board member organizations for local partnership activities.

Note 11 - Commitments

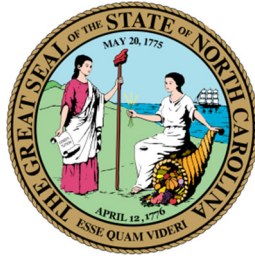
The North Carolina Partnership has outstanding commitments on cost reimbursement contracts totaling \$3,312,512 as of June 30, 2023.

Note 12 - Changes in Financial Accounting and Reporting

For the fiscal year ended June 30, 2023, the North Carolina Partnership implemented the following pronouncement issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding SBITAs.



Supplementary Information

The North Carolina Partnership for Children, Inc.
Schedule of Functional Expenses
For the Fiscal Year Ended June 30, 2023

Schedule 1

	Salaries and Benefits	Supplies and Services	Other Operating Expenses	Fixed Charges and Other Expenses	Noncapitalized Equipment	Depreciation/ Amortization	Interest & Fees on Leases/ Subscriptions	Contract and Grant Expenses	Total
Program:									
Child Care Health Initiative	\$ 52,616	\$ 0	\$ 70	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,564,713	\$ 1,617,399
Communications	183,773	66,960	85	10,681				6,000	267,499
Comprehensive Training Events	51,283	52,277	101,810	43,361					248,731
Early Literacy	33,222		238	675				8,203,376	8,237,511
EC Systems and Research/Evaluation	1,029,319	29,431	17,449	196				-	1,076,395
Family Engagement & Support	161,704	903,807	11,923	1,454				2,211,843	3,290,731
Local Partnership Administration								19,713,939	19,713,939
Local Partnership Services								80,065,352	80,065,352
Leadership Development		5,738	18,596						24,334
Monitoring	315,489	718	14,278	60	671				331,216
Other Private Awards	237,023	222,220	10,435	64,317				142,008	676,003
Regional Accounting (MAC)	311		27,724	44,919				1,338,729	1,411,683
Resiliency	102,471	76,462	18,447	156				321,521	519,057
Total Program	2,167,211	1,357,613	221,055	165,819	671	0	0	113,567,481	117,479,850
Support:									
Administration	632,687	65,198	48,295	22,235	3,028	329,621	56,423	2,231	1,159,718
Fiscal	679,839	382,598	4,432	1,222					1,068,091
Fiscal Consulting and Contracting	581,209	479	2,420	505	2,564				587,177
Fund Development	99,870	674	327	236					101,107
Human Resources	114,410	36,910	3,698	2,417					157,435
Technology	445,452	29,774	22,995	219,660	33,684				751,565
Total Support	2,553,467	515,633	82,167	246,275	39,276	329,621	56,423	2,231	3,825,093
Total Expenses	\$ 4,720,678	\$ 1,873,246	\$ 303,222	\$ 412,094	\$ 39,947	\$ 329,621	\$ 56,423	\$ 113,569,712	\$ 121,304,943



Independent Auditor's Report



North Carolina Office of the State Auditor

Jessica N. Holmes, State Auditor

www.auditor.nc.gov

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*

Board of Directors

The North Carolina Partnership for Children, Inc.

Raleigh, 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 The North Carolina Partnership for Children, Inc. (North Carolina Partnership), a component unit of the State of North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the North Carolina Partnership's basic financial statements, and have issued our report thereon dated February 22, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Carolina Partnership's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Carolina Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Carolina Partnership's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the North Carolina Partnership's financial statements will not be prevented, or detected and corrected on a timely basis.

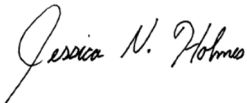
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Carolina Partnership'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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Carolina Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Carolina Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jessica N. Holmes
State Auditor

Raleigh, North Carolina

February 22, 2024

Ordering Information

Copies of this report may be obtained by contacting:

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North Carolina Office of the State Auditor at:

919-807-7666



This audit required 387 hours at an approximate cost of \$52,632.