

# The North Carolina Partnership for Children, Inc.

Raleigh, NC



## Financial Statement Audit Report

For the Year Ended June 30, 2025

State Auditor  
Dave Boliek

A Constitutional Office of the  
State of North Carolina





North Carolina Office of the State Auditor

Dave Boliek, State Auditor

## Auditor's Transmittal

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The Honorable Josh Stein, Governor  
The Honorable Phil Berger, President Pro Tempore  
The Honorable Destin Hall, Speaker of the House  
Honorable Members of the North Carolina General Assembly  
Board of Directors, The North Carolina Partnership for Children, Inc.

As a state-level nonprofit organization that receives tax dollars, it's important that proper financial control is maintained in The North Carolina Partnership for Children, Inc.'s daily operations.

Through financial audits of North Carolina entities and organizations, the North Carolina Office of the State Auditor assesses whether the records prepared by these entities and organizations are materially correct. Our audit of The North Carolina Partnership for Children, Inc.'s financial records shows no material errors for the year ended June 30, 2025.

I'd like to thank staff at The North Carolina Partnership for Children, Inc. for their assistance and cooperation as we conducted this audit.

Respectfully submitted,

Dave Boliek  
State Auditor



# REPORT SUMMARY

## The North Carolina Partnership for Children, Inc. Financial Statement Audit

The Office of the State Auditor performs financial statement audits<sup>1</sup> at The North Carolina Partnership for Children, Inc. (North Carolina Partnership).

### Audit Results

- The Partnership’s financial statements for fiscal year ended June 30, 2025 are **accurate** and **reliable**.
- Our audit found **no material weaknesses in internal controls or instances of reportable noncompliance**.

### Audit Purpose & Importance

Provide an opinion on whether the North Carolina Partnership’s financial statements are materially correct and, if necessary, report any internal control weaknesses or noncompliance with laws and regulations.

The financial statement audit serves a vital role in promoting transparency, accountability, and trust in the North Carolina Partnership’s financial operations.

While a formal process, the audit’s impact extends to many members of the public, including:

- Local Partnerships across the State depend on the guidance, support, and resources.
- Families depend on access to quality early care and education, health, and family support services.
- Childcare providers depend on support through financial and technical assistance, and professional development in the workforce.
- Citizens and public officials expect responsible reporting of public funds and grants.
- Donors rely on accurate financial reporting to ensure contributions are used as intended.

A “clean” audit opinion supports public trust and demonstrates the North Carolina Partnership's commitment to responsible financial stewardship, assuring stakeholders that resources are being managed to fulfill the institution’s mission.

### Quick Highlights

 **Revenues:**  
**\$134 Million**

**Expenses:**  
**\$134 Million**  

### Reports

The North Carolina Partnership’s financial statement audit reports are available on our website at this [link](#).

Please review the report to fully understand the North Carolina Partnership’s overall financial health and our reporting responsibilities.

<sup>1</sup> North Carolina General Statute 147-64.6



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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

Dave Boliek, State Auditor

# Independent Auditor's Report

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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, 2025, 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, 2025, 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 March 16, 2026 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.



Dave Boliek  
State Auditor

Raleigh, North Carolina

March 16, 2026



# **Management's Discussion and Analysis**

### Introduction

The following discussion and analysis provide 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 for 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 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 for 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 for 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 explanation 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 Smart Start Network (Network) is a network of 75 independent nonprofit local partnerships serving all 100 North Carolina counties. The North Carolina Partnership for Children ensures fiscal and programmatic accountability and comprehensive, long-range strategic planning for the statewide Network to create better outcomes for children and families.

Smart Start works across the State to increase access to quality early care and education, collaborate with families to reach their goals, improve child health and development, and support early literacy for children birth-to-five. The Network also works statewide to provide vital workforce support as well as critical system-level supports. It administers other state, federal, local, and private programs and services. The North Carolina Partnership has received grants from other private organizations for building its capacity in effective oversight and technical assistance, while also assisting local partnerships in North Carolina to develop, implement, and integrate 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, 2025 and June 30, 2024, was approximately \$3.4 million and \$3.0 million, respectively, an increase of approximately \$417 thousand 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, 2025 and 2024.

<b>Condensed Statement of Net Position</b>				
<b>June 30, 2025 and 2024</b>				
	<u>2025</u>	<u>2024</u>	<u>Amount</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
<b>Assets</b>				
Current Assets	\$ 9,826,313	\$ 11,818,131	\$ (1,991,818)	(16.9)%
Noncurrent Assets:				
Other	24,000	24,000		
Capital Assets, Net	<u>1,812,560</u>	<u>1,593,594</u>	<u>218,966</u>	13.7%
Total Assets	<u>11,662,873</u>	<u>13,435,725</u>	<u>(1,772,852)</u>	(13.2)%
<b>Deferred Outflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Liabilities</b>				
Current Liabilities:				
Long-Term Liabilities, Current Portion	175,689	315,562	(139,873)	(44.3)%
Other	7,224,356	9,177,673	(1,953,317)	(21.3)%
Long-Term Liabilities	<u>860,656</u>	<u>956,981</u>	<u>(96,325)</u>	(10.1)%
Total Liabilities	<u>8,260,701</u>	<u>10,450,216</u>	<u>(2,189,515)</u>	(21.0)%
<b>Deferred Inflows of Resources</b>	<u>0</u>	<u>0</u>	<u>0</u>	
<b>Net Position</b>				
Net Investment in Capital Assets	979,117	499,887	479,230	95.9%
Restricted:				
Nonexpendable	24,000	24,000		
Expendable	18,505	15,077	3,428	22.7%
Unrestricted	<u>2,380,550</u>	<u>2,446,545</u>	<u>(65,995)</u>	(2.7)%
Total Net Position	<u>\$ 3,402,172</u>	<u>\$ 2,985,509</u>	<u>\$ 416,663</u>	14.0%

**Assets**

Current assets as of June 30, 2025, consisted of \$6.3 million cash and cash equivalents, \$3.3 million receivables, and \$164 thousand prepaid expenses. Current assets as of June 30, 2024, consisted of \$6.4 million cash and cash equivalents, \$5.3 million receivables, and \$151 thousand prepaid expenses.

Current assets decreased by \$2.0 million during the fiscal year ended June 30, 2025. The change primarily consisted of a \$2.0 million decrease in due from local partnerships at year end. The decrease in due from local partnerships was due to a change in North Carolina Partnership's policy to cap the amount local partnerships could carry forward and allow them to revert funds prior to year end. This incentivized the local partnerships to either spend the money more efficiently or return unneeded funds, resulting in less required reversions at year end.

Noncurrent assets increased by \$219 thousand due primarily to the addition of new contract and data management software to improve, simplify, and create greater consistency in contracting and data management processes for all aspects of the Smart Start Program. During the fiscal year, the first phase of development was completed and placed into operation. The computer software in development at year end is related to the second phase of the project.

**Liabilities**

Current liabilities as of June 30, 2025, consisted primarily of \$3.6 million due to state and \$3.4 million unearned revenue. Current liabilities as of June 30, 2024, consisted primarily of \$6.6 million due to state and \$2.5 million unearned revenue.

Current liabilities decreased by \$2.1 million during the fiscal year ended June 30, 2025. The decrease consisted primarily of a \$2.9 million decrease in amounts due to the state, offset by a \$905 thousand increase in unearned revenue. The decrease in amounts due to the state resulted from receiving less reversion funds at year end from the network of local partnerships as previously mentioned. The increase in unearned revenue resulted from the collection of new funding from the Leon Levine Foundation at the end of fiscal year 2025.

**Net Position**

As of June 30, 2025, net investment in capital assets was \$979 thousand. Restricted nonexpendable net position of \$24 thousand represents amounts subject to externally imposed restrictions which must be maintained in perpetuity. Restricted expendable net position of \$19 thousand represents amounts subject to externally imposed restrictions. Unrestricted net position of \$2.4 million represents amounts not subject to externally imposed restrictions but internally designated for operating reserve and various activities and initiatives.

For the year ended June 30, 2025, there was an increase in net position of \$417 thousand. This was primarily attributable to an increase of \$479 thousand in net investment in capital assets. The increase was primarily attributable to the addition of the new contract and data management software discussed above.

## Management's Discussion and Analysis

### 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, 2025 and 2024.

#### Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years Ended June 30, 2025 and 2024

	2025	2024	Amount Change	Percent Change
Operating Revenues	\$ 186,207	\$ 223,238	\$ (37,031)	(16.6)%
Operating Expenses:				
Salaries and Benefits	4,717,683	4,690,346	27,337	0.6%
Supplies and Services	1,410,522	1,335,018	75,504	5.7%
Other Operating Expenses	289,619	317,592	(27,973)	(8.8)%
Fixed Charges and Other Expenses	316,634	425,426	(108,792)	(25.6)%
Purchase of Noncapitalized Equipment	42,072	9,115	32,957	361.6%
Depreciation/Amortization	334,284	258,553	75,731	29.3%
Total Operating Expenses	7,110,814	7,036,050	74,764	1.1%
Operating Loss	(6,924,607)	(6,812,812)	111,795	1.6%
Nonoperating Revenues:				
State Aid	132,047,830	122,524,819	9,523,011	7.8%
Investment Income	29,448	13,171	16,277	123.6%
Private Contributions	1,746,064	1,185,668	560,396	47.3%
Total Nonoperating Revenues	133,823,342	123,723,658	10,099,684	8.2%
Nonoperating Expenses:				
Interest and Fees on Leases/Subscriptions	73,622	93,289	(19,667)	(21.1)%
Contract and Grant Expenses	126,408,450	115,788,060	10,620,390	9.2%
Total Nonoperating Expenses	126,482,072	115,881,349	10,600,723	9.1%
Increase in Net Position	416,663	1,029,497	(612,834)	(59.5)%
Net Position Beginning of Year	2,985,509	1,956,012	1,029,497	52.6%
Net Position End of Year	\$ 3,402,172	\$ 2,985,509	\$ 416,663	14.0%
Total Revenues	\$ 134,009,549	\$ 123,946,896	\$ 10,062,653	8.1%
Total Expenses	\$ 133,592,886	\$ 122,917,399	\$ 10,675,487	8.7%

### Operating Revenues and Expenses

For the fiscal years ended June 30, 2025 and 2024, operating expenses totaled \$7.1 million and \$7.0 million, respectively, and operating revenues totaled \$186 thousand and \$223 thousand, respectively.

Operating expenses increased by \$75 thousand during the fiscal year ended June 30, 2025. This increase was primarily due to an increase in supplies and services and depreciation/amortization, offset by a decrease in fixed charges and other expenses. The increase in supplies and services was due to increased contracted services. The increase in depreciation/amortization was primarily attributable to the addition of the new contract and data management software. The decrease in fixed charges and other expenses was due to decreased expenditures for technology services.

### Nonoperating Revenues and Expenses

For the fiscal year ended June 30, 2025, nonoperating revenues totaled \$133.8 million, of which state aid was \$132.0 million. For the fiscal year ended June 30, 2024, nonoperating revenues totaled \$123.7 million, of which state aid was \$122.5 million.

Much of the North Carolina Partnership's activities are identified as nonoperating, with state aid being the primary source of funding. The North Carolina Partnership provides oversight and funding to a network of Smart Start organizations across the State, resulting in significant grant disbursements.

Nonoperating revenues increased \$10.1 million and nonoperating expenses increased \$10.6 million during the fiscal year ended June 30, 2025. The increase consisted primarily of a \$9.5 million increase in state aid and increase of \$10.6 million in contract and grant expenses as compared to the prior year. The increases were driven by two new State aid initiatives: grants for Hurricane Helene recovery for Western North Carolina child care centers and operators and for the Child Care WAGE\$ program.

### 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, 2025**

**Exhibit A**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 2,541,686
Restricted Cash and Cash Equivalents	3,789,094
Accounts Receivables (Note 3)	3,331,741
Prepaid Expenses	163,792

Total Current Assets	9,826,313
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	24,000
Capital Assets - Nondepreciable (Note 4)	157,618
Capital Assets - Depreciable, Net (Note 4)	1,654,942

Total Noncurrent Assets	1,836,560
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Total Assets	11,662,873
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**DEFERRED OUTFLOWS OF RESOURCES**

0

**LIABILITIES**

Current Liabilities:

Accounts Payable	82,354
Accrued Payroll	117,012
Due to State	3,649,234
Unearned Revenue	3,375,756
Long-Term Liabilities - Current Portion (Note 5)	175,689

Total Current Liabilities	7,400,045
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Noncurrent Liabilities:

Long-Term Liabilities (Note 5)	860,656
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Total Liabilities	8,260,701
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**DEFERRED INFLOWS OF RESOURCES**

0

**NET POSITION**

Net Investment in Capital Assets	979,117
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Restricted:

Nonexpendable:

Annual Recognition Award	24,000
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Expendable:

Specific Child Care Related Activities	18,505
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Unrestricted	2,380,550
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Total Net Position	\$ 3,402,172
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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, 2025**

**Exhibit B**

**OPERATING REVENUES**

Event Registrations	\$ 186,207
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**OPERATING EXPENSES**

Salaries and Benefits	4,717,683
Supplies and Services	1,410,522
Other Operating Expenses	289,619
Fixed Charges and Other Expenses	316,634
Purchase of Noncapitalized Equipment	42,072
Depreciation/Amortization	334,284

Total Operating Expenses	7,110,814
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Operating Loss	(6,924,607)
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**NONOPERATING REVENUES (EXPENSES)**

State Aid	132,047,830
Investment Income	29,448
Private Contributions	1,746,064
Interest and Fees on Leases/Subscriptions	(73,622)
Contract and Grant Expenses	(126,408,450)

Net Nonoperating Revenues	7,341,270
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Increase in Net Position	416,663
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**NET POSITION**

Net Position - July 1, 2024	2,985,509
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Net Position - June 30, 2025	\$ 3,402,172
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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, 2025**

**Exhibit C**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from Customers	\$ 186,207
Payments to Employees and Fringe Benefits	(4,660,582)
Payments to Vendors and Suppliers	(2,035,849)
	<hr/>
Net Cash Used by Operating Activities	(6,510,224)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Aid	130,789,690
Grants to Local Partnerships and Other Organizations	(124,457,920)
Private Contributions	981,383
	<hr/>
Net Cash Provided by Noncapital Financing Activities	7,313,153

**CASH FLOWS FROM CAPITAL FINANCING AND RELATED FINANCING ACTIVITIES**

Acquisition and Construction of Capital Assets	(553,250)
Principal Paid on Lease/Subscription Liabilities	(260,264)
Interest and Fees Paid on Lease/Subscription Liabilities	(73,622)
	<hr/>
Total Cash Used by Capital Financing and Related Financing Activities	(887,136)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Income	29,448
	<hr/>
Cash Provided by Investing Activities	29,448
	<hr/>
Net Decrease in Cash and Cash Equivalents	(54,759)
Cash and Cash Equivalents - July 1, 2024	6,409,539
	<hr/>
Cash and Cash Equivalents - June 30, 2025	\$ 6,354,780

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (6,924,607)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	334,284
Changes in Assets:	
Accounts Receivable	(559)
Prepaid Expenses	(12,911)
Changes in Liabilities:	
Accounts Payable	36,467
Accrued Payroll	33,036
Compensated Absences	24,066
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Net Cash Used by Operating Activities	\$ (6,510,224)

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



# Notes to the Financial Statements

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### Note 1 - Significant Accounting Policies

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- 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, including computer software, 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. In addition, grouped acquisitions of machinery and equipment that have an estimated useful life of more than one year but are individually below the \$5,000 threshold are capitalized.

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

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## Note 2 - Deposits and Investments

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The North Carolina Partnership is required by North Carolina General Statute 147-77 to deposit moneys received 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, 2025 was \$33. The carrying amount of the North Carolina Partnership's deposits not with the State Treasurer was \$6,354,747 and the bank balance was \$6,356,035. 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, 2025, the North Carolina Partnership's uninsured and uncollateralized bank balance was \$6,106,035.

## Note 3 - Receivables

Accounts receivable at June 30, 2025, were as follows:

	<u>Amount</u>
<b>Accounts Receivable:</b>	
Due from Local Partnerships	\$ 3,318,721
Sales Tax and Other Receivables	<u>13,020</u>
<b>Total Accounts Receivable</b>	<u><u>\$ 3,331,741</u></u>

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, 2025, is presented as follows:

	<u>Balance July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2025</u>
Capital Assets, Nondepreciable:				
Computer Software in Development	\$ 396,750	\$ 553,250	\$ 792,382	\$ 157,618
<b>Total Capital Assets, Nondepreciable</b>	<u>396,750</u>	<u>553,250</u>	<u>792,382</u>	<u>157,618</u>
Capital Assets, Depreciable:				
Machinery and Equipment	570,938			570,938
Computer Software		792,382		792,382
Right-to-Use Leased Buildings	1,392,925			1,392,925
Right-to-Use Subscription Assets	<u>152,562</u>			<u>152,562</u>
Total Capital Assets, Depreciable	<u>2,116,425</u>	<u>792,382</u>	<u>0</u>	<u>2,908,807</u>
Less Accumulated Depreciation/Amortization for:				
Machinery and Equipment	529,682	12,064		541,746
Computer Software		79,238		79,238
Right-to-Use Leased Buildings	288,191	192,128		480,319
Right-to-Use Subscription Assets	<u>101,708</u>	<u>50,854</u>		<u>152,562</u>
Total Accumulated Depreciation/Amortization	<u>919,581</u>	<u>334,284</u>	<u>0</u>	<u>1,253,865</u>
<b>Total Capital Assets, Depreciable, Net</b>	<u>1,196,844</u>	<u>458,098</u>	<u>0</u>	<u>1,654,942</u>
<b>Capital Assets, Net</b>	<u><u>\$ 1,593,594</u></u>	<u><u>\$ 1,011,348</u></u>	<u><u>\$ 792,382</u></u>	<u><u>\$ 1,812,560</u></u>

## Note 5 - Long-Term Liabilities

A summary of changes in the long-term liabilities for the year ended June 30, 2025, is presented as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
Lease Liabilities	\$ 1,040,274	\$ 0	\$ 206,830	\$ 833,444	\$ 142,616
Subscription (SBITA) Liabilities	53,434		53,434		
Compensated Absences	178,835	202,901	178,835	202,901	33,073
<b>Total Long-Term Liabilities</b>	<b>\$ 1,272,543</b>	<b>\$ 202,901</b>	<b>\$ 439,099</b>	<b>\$ 1,036,345</b>	<b>\$ 175,689</b>

Additional information regarding lease liabilities is included in Note 6.

## Note 6 - Leases

**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, 2025, is summarized below (excluding short-term leases):

Classification:	Number of Lease Contracts	Lease Liabilities June 30, 2025	Current Portion	Lease Terms	Interest Rate
Lessee:					
Right-to-Use Leased Building	1	\$ 833,444	\$ 142,616	87 Months	7.25%

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

**B. Annual Requirements** - The annual requirements to pay principal and interest on leases at June 30, 2025, are as follows:

Fiscal Year	Annual Requirements	
	Lease Liabilities	
	Principal	Interest
2026	\$ 142,616	\$ 57,707
2027	158,871	46,460
2028	176,517	33,947
2029	195,666	20,060
2030	159,774	5,034
<b>Total Requirements</b>	<b>\$ 833,444</b>	<b>\$ 163,208</b>

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### Note 7 - Operating Expenses by Function

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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 Related** - Expenses related to Tri-Share pilot program.

**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.

**Disaster Recovery** - State and private support and expenses related to Hurricane Helene recovery for Western North Carolina child care centers and operators.

**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 (EC) 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.

**Leadership/Development and 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. Also includes privately funded programs 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.

**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.

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

**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 capacity building across the Smart Start Network and adverse childhood experiences (ACEs). Funds cover services to build organizational and community capacity to implement sustainable strategies for organizational growth along with mitigating the impacts of trauma, including ACEs. Additional privately funded programs to assist communities in the development, implementation, or integration of targeted or comprehensive community-based early childhood initiatives.

## 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. Responsible for developing and implementing proper accounting policies and procedures. Also 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 areas of selecting hardware, software, and acquiring outside consultants for training.

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### Note 8 - Retirement Plan

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#### 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, 2025, the North Carolina Partnership's Plan contributions were \$241,920. The North Carolina Partnership assumes no liability other than its contribution.

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### Note 9 - Risk Management

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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.

**2. Executive Liability Package**

The North Carolina Partnership is protected for losses for a variety of matters, including directors and officers liability, employment practices liability, fiduciary liability, employee theft/dishonesty, and cybersecurity risk mitigation.

**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.

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**Note 10 - Related Parties**

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**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.

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**Note 11 - Commitments**

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The North Carolina Partnership has outstanding commitments on cost reimbursement contracts totaling \$6,669,485 as of June 30, 2025.



# Supplementary Information

The North Carolina Partnership for Children, Inc.  
Schedule of Functional Expenses  
For the Fiscal Year Ended June 30, 2025

Schedule 1

	Salaries and Benefits	Supplies and Services	Other Operating Expenses	Fixed Charges and Other Expenses	Purchase of Noncapitalized Equipment	Depreciation/ Amortization	Interest & Fees on Leases/ Subscriptions	Contract and Grant Expenses	Total
<b>Program:</b>									
Child Care Related	\$ 4,535	\$ 19,937	\$ 81	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,953,926	\$ 10,978,479
Communications	261,132		1,658	6,322					269,112
Disaster Recovery	20,318		16,379					4,734,156	4,770,853
Early Literacy	48,885	1,981		1,988				8,209,038	8,261,892
EC Systems and Research/Evaluation	1,424,862	60,000	34,209	388					1,519,459
Family Engagement & Support				363					363
Leadership/Development & Training Events	64,448	52,487	107,169	47,198					271,302
Local Partnership Administration								14,842,289	14,842,289
Local Partnership Services								86,309,433	86,309,433
Monitoring	307,516		5,542						313,058
Regional Accounting (MAC)			33,730	74,491				1,339,996	1,448,217
Resiliency	306,260	590,039	18,029	118,974				16,612	1,049,914
<b>Total Program</b>	<b>2,437,956</b>	<b>724,444</b>	<b>216,797</b>	<b>249,724</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126,405,450</b>	<b>130,034,371</b>
<b>Support:</b>									
Administration	512,801	12,447	45,156	(26,889)	2,713	334,284	73,622	3,000	957,134
Fiscal	1,209,329	528,183	3,586	3,109					1,744,207
Fund Development	52,551		415	5,920					58,886
Human Resources	113,101	8,010	1,057	3,307					125,475
Technology	391,945	137,438	22,608	81,463	39,359				672,813
<b>Total Support</b>	<b>2,279,727</b>	<b>686,078</b>	<b>72,822</b>	<b>66,910</b>	<b>42,072</b>	<b>334,284</b>	<b>73,622</b>	<b>3,000</b>	<b>3,558,515</b>
<b>Total Expenses</b>	<b>\$ 4,717,683</b>	<b>\$ 1,410,522</b>	<b>\$ 289,619</b>	<b>\$ 316,634</b>	<b>\$ 42,072</b>	<b>\$ 334,284</b>	<b>\$ 73,622</b>	<b>\$ 126,408,450</b>	<b>\$ 133,592,886</b>



# **Independent Auditor's Report**



## North Carolina Office of the State Auditor

Dave Boliek, State Auditor

# 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*

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Board of Trustees

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, 2025, 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 March 16, 2026.

## 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 were not 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.



Dave Boliek  
State Auditor

Raleigh, North Carolina

March 16, 2026

# Ordering Information

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Copies of this report may be obtained by contacting:



**Office of the State Auditor**  
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This audit required 363 hours at an approximate cost of \$56,265.