

FINANCIAL STATEMENT AUDIT REPORT OF
SMART START OF DAVIE COUNTY, INC.
MOCKSVILLE, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2023

BOARD OF DIRECTORS
THOMAS JOHNSON, BOARD CHAIR

ADMINISTRATIVE OFFICER
GENA TAYLOR, EXECUTIVE DIRECTOR

Smart Start of Davie County, Inc.

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Independent Auditor's Report

To Board Members of
Smart Start of Davie County, Inc.
Mocksville, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Smart Start of Davie County, Inc., which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2023, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Receipts, Expenditures and Net Assets - Modified Cash Basis of the Smart Start of Davie County, Inc. as of and for the year ended June 30, 2023, and the Statement of Functional Expenditures - Modified Cash Basis for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

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

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Smart Start of Davie County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Smart Start of Davie County, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedule 2 on page 20 and Schedule 5 on page 23 is presented for purposes of additional analysis as required by the North Carolina Office of the State Auditor, and is not a required part of the financial statements. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion or provide any assurance on Schedules 2 and 5.

The accompanying supplementary information in Schedules 1, 3, and 4 on pages 19, 21, and 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2024, on our consideration of Smart Start of Davie County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Smart Start of Davie County, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Smart Start of Davie County, Inc.'s internal control over financial reporting and compliance.



Charlotte, North Carolina
February 13, 2024

Smart Start of Davie County, Inc.**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis****For the Year Ended June 30, 2023****Exhibit A**

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Receipts:			
State Awards and Contracts	\$ 318,532	\$ 967	\$ 319,499
Local Awards	8,889	-	8,889
Private Contributions	30,003	43,041	73,044
Special Fundraising Events	36,229	-	36,229
Interest and Investment Earnings	437	-	437
Sales Tax Refunds	3,553	-	3,553
Other Receipts	4,126	-	4,126
Total Receipts	401,769	44,008	445,777
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	33,657	(33,657)	-
	435,426	10,351	445,777
Expenditures:			
Programs:			
Child Care and Education Quality	94,639	-	94,639
Family Support	192,996	-	192,996
Support:			
Management and General	109,041	-	109,041
Program Planning, Coordination and Evaluation	28,933	-	28,933
Other:			
Sales Tax Paid	3,511	-	3,511
Total Expenditures	429,120	-	429,120
Excess (Deficiency) of Receipts Over Expenditures	6,306	10,351	16,657
Net Assets at Beginning of Year	153,335	53,204	206,539
Net Assets at End of Year	\$ 159,641	\$ 63,555	\$ 223,196
Net Assets Consisted of:			
Cash and Cash Equivalents	\$ 160,519	\$ 63,555	\$ 224,074
Less: Funds Held for Others	878	-	878
Total Net Assets	\$ 159,641	\$ 63,555	\$ 223,196

The Accompanying Notes are an Integral Part of the Financial Statements.

Smart Start of Davie County, Inc.
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2023

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/ Contracts/ Grants
Smart Start Fund:								
Programs:								
Child Care and Education Quality	\$ 86,999	\$ 42,295	\$ 31,239	\$ 3,964	\$ 3,871	\$ 4,528	\$ 1,102	\$ -
Family Support	102,863	67,320	900	7,159	10,002	11,483	4,767	1,232
	189,862	109,615	32,139	11,123	13,873	16,011	5,869	1,232
Support:								
Management and General	98,033	80,825	2,450	4,358	2,165	5,931	2,304	-
Program Planning, Coordination and Evaluation	27,200	16,420	4,915	1,378	898	1,460	2,129	-
	125,233	97,245	7,365	5,736	3,063	7,391	4,433	-
Total Smart Start Fund Expenditures	\$ 315,095	\$ 206,860	\$ 39,504	\$ 16,859	\$ 16,936	\$ 23,402	\$ 10,302	\$ 1,232
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 7,640	\$ 5,045	\$ -	\$ 596	\$ 1,024	\$ 419	\$ 556	\$ -
Family Support	90,133	48,137	-	9,080	15,399	6,978	4,518	6,021
	97,773	53,182	-	9,676	16,423	7,397	5,074	6,021
Support:								
Management and General	11,008	7,064	59	904	542	1,517	833	89
Program Planning, Coordination and Evaluation	1,733	401	-	250	69	132	881	-
	12,741	7,465	59	1,154	611	1,649	1,714	89
Other:								
Sales Tax Paid	3,511	-	-	3,511	-	-	-	-
	3,511	-	-	3,511	-	-	-	-
Total Other Funds Expenditures	\$ 114,025	\$ 60,647	\$ 59	\$ 14,341	\$ 17,034	\$ 9,046	\$ 6,788	\$ 6,110

The Accompanying Notes are an Integral Part of the Financial Statements.

SMART START OF DAVIE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Smart Start of Davie County, Inc. (Smart Start of Davie) is a legally separate nonprofit organization incorporated on November 24, 1997. Smart Start of Davie was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. Smart Start of Davie is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

B. Basis of Presentation - The accompanying financial statements present all funds for which Smart Start of Davie's Board of Directors is responsible. Pursuant to the provisions of Financial Accounting Standards Board's Accounting Standard for *Not-For-Profit Entities*, the accompanying financial statements present information according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions are the part of net assets not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Net assets with donor restrictions are the part of net assets subject to donor-imposed restrictions. As permitted by this Standard, contributions with donor restrictions received and expended in the same year are reported as receipts without donor restrictions rather than receipts with donor restrictions.

Contributions with donor restrictions that are not expended within the year received are reported as an increase in net assets with donor restrictions. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as net assets released from restrictions.

C. Basis of Accounting - The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. Additionally, Smart Start funds advanced to the Local

Partnership that are unexpended and unearned at year end are recorded as funds Due to the State.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis and includes all demand and savings accounts and certificates of deposit and other short-term investments with an original maturity of three months or less.
- E. Funds Held for Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which Smart Start of Davie acts in an agency capacity. For the year ended June 30, 2023, Smart Start of Davie was holding amounts withheld from employee paychecks for IRA contributions in the total amount of \$839 and for dental insurance premiums in the total amount of \$39.
- F. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Smart Start of Davie is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. Smart Start of Davie has a policy to track purchases of property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2023. Donated items are recorded on the property and equipment log at estimated fair market value at the date of donation, which is defined as the price that would be paid to acquire an asset with equivalent service capacity in an orderly market transaction at the acquisition date.
- G. Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 9.
- H. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by Smart Start of Davie requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.
- I. Qualifying Match and Contributions of Financial and Nonfinancial Assets** - Smart Start of Davie, in accordance with applicable Smart Start legislation, reports qualifying match provided at both the Partnership and the contractor level; the qualifying match is reported in supplemental Schedule 5. The match includes contributions of cash and other financial assets, and nonfinancial assets. Contributions of cash and other financial assets, received and expended at the Partnership level, are recognized as revenue when they are received and as expenditures when they are paid and are

included in the modified cash basis financial statements. For valuation of contributions of other financial assets and nonfinancial assets, Smart Start of Davie utilizes fair value on the date of the gift. Nonfinancial assets could be donated equipment, supplies, office space, or services. Smart Start of Davie also benefits from donor volunteer hours which do not require special expertise, but which are nonetheless central to Smart Start of Davie's operations. During the year ended June 30, 2023, Smart Start of Davie did not receive contributions of other financial assets. Under the modified cash basis of accounting, the qualifying match reported on Schedule 5 for cash provided at the contractor level and for donated assets and services at both the Partnership and contractor levels is not recorded. See supplemental Schedule 5 for more information on the contributions of nonfinancial assets.

- J. Implementation of Accounting Standard** - For the year ended June 30, 2022, Smart Start of Davie adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in Schedule 5 and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the organization and will not change existing recognition and measurement requirements. Smart Start of Davie has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented.

NOTE 2 - DEPOSITS

All funds of Smart Start of Davie are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank.

Deposits over insured amounts subjects Smart Start of Davie to a concentration of credit risk. At June 30, 2023, Smart Start of Davie did not have any bank deposits not insured by FDIC.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

Smart Start Program - Smart Start of Davie's major source of revenue and support is from the State of North Carolina based on cost-reimbursement contracts with The North Carolina Partnership for Children, Inc. (NCPC) for the Smart Start program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of Smart Start of Davie and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, Smart Start of Davie is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During the year, the North Carolina Department of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by Smart Start of Davie. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts

entered into DHHS is presented on Schedule 2 accompanying the financial statements.

Smart Start of Davie was awarded, received and expended \$315,095 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. Smart Start of Davie has expended all awarded funds and therefore has returned none of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2023.

Smart Start of Davie expects to receive continued funding through new Smart Start contracts with the State.

Dolly Parton Imagination Library Expansion Program - Smart Start of Davie was awarded \$10,001, received \$4,404 and expended \$9,034 under a current year Dolly Parton Imagination Library Expansion Grant (DPIL) with NCPC. As allowed by program regulation, the unexpended balance of the current year contract is available to carry forward to the subsequent year.

Smart Start of Davie does not expect to receive continued funding through new DPIL contracts with NCPC.

NovantHealth Grant - Smart Start of Davie was awarded and received \$8,000 and expended \$0 for a book distribution grant with NovantHealth.

Smart Start of Davie does not expect to receive continued funding through new grants with NovantHealth.

Davie Community Foundation - Smart Start of Davie was awarded, received and expended \$9,000 for a Nurturing Parenting Program grant with Davie Community Foundation.

Smart Start of Davie does not expect to receive continued funding through new grants with Davie Community Foundation.

Mebane Community Foundation - Smart Start of Davie was awarded and received \$17,000 and expended \$12,486 for a Parents as Teachers grant with Mebane Community Foundation.

Smart Start of Davie does not expect to receive continued funding through new grants with Mebane Community Foundation.

NOTE 4 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of Smart Start of Davie are representative of various organizations that benefit from actions taken by the Board. It is the policy of Smart Start of Davie that board members not be involved with decisions regarding organizations they represent. Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by Smart Start of Davie's Smart Start allocation.

NOTE 5 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis. Also, the Statement of Functional Expenditures - Modified Cash Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

A. Program Functions

Child Care and Education Quality - Used to account for service activities including quality enhancement and maintenance, child care resource and referral, professional development and supplements, literacy for child care providers, child care substitutes, provider training, mentoring programs, special needs - early intervention support for child care professionals, learning materials and teaching aids, curriculum enhancements, child care needs and resources assessments, kindergarten orientation/transition.

Family Support - Used to account for service activities including community systems building information and resources for family support to increase positive parenting practices and provide parent/guardian support through multiple programs and public awareness.

B. Support Functions

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

Program Planning, Coordination and Evaluation - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

C. Allocation of Joint Costs

Expenditures benefiting more than one purpose were allocated as follows:

Salaries and Benefits - Direct allocation based on employee time reports.

Other Costs - Other costs including occupancy cost (rent, utilities and maintenance), supplies and materials, and communication costs (telephone and printing) were indirectly allocated based on estimates of utilization.

NOTE 6 - OPERATING LEASE OBLIGATIONS

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

Fiscal Year	Operating Leases
2024	\$ 24,000
2025	24,000
2026	24,000
2027	24,000
Total Minimum Lease Payments	<u>\$ 96,000</u>

Rental expense for all operating leases during the year was \$24,000.

NOTE 7 - PENSION PLAN

A. Retirement Plans - Smart Start of Davie has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of Smart Start of Davie, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. Smart Start of Davie's contributed 5% of gross wages for the year ended June 30, 2023. Smart Start of Davie does not own the accounts nor is it liable for any other cost other than the required contribution. Smart Start of Davie contributed \$9,086 for pension benefits during the year.

B. IRC Sections 403(b) and 403(b)(7) Plans - All permanent employees who are at least half-time can participate in tax sheltered annuity plans (Plans) created under Internal Revenue Code Sections 403(b) and 403(b)(7). The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants.

NOTE 8 - RISK MANAGEMENT

Smart Start of Davie is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. Smart Start of Davie manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions, health and life	Purchased commercial insurance	None
Workers Compensation - employee injuries	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant losses to Smart Start of Davie. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Compensated Absences - As a result of Smart Start of Davie's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2023 is \$6,896. No funds or reservation of net assets has been made for this commitment.

NOTE 10 - RESTRICTIONS ON NET ASSETS

A. Net Assets With Donor Restrictions - Net assets with donor restrictions at June 30, 2023 are restricted for the following purposes:

Purpose	Amount
Dolly Parton Imagination Library	\$ 967
Imagination Library	14,741
Mebane Foundation PAT	21,514
PAT General Fund	415
Davie Community Foundation NPP	9,500
NPP General Fund	292
ROR/Mebane Foundation	1,826
Woodson Foundation Kaleidoscope	6,300
Novant Health Book Distribution	8,000
	<u>\$ 63,555</u>

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

Purpose	Amount
Dolly Parton Imagination Library	\$ 5,597
Imagination Library	2
Mebane Foundation PAT	12,485
PAT General Fund	213
ROR Donation Fund	1,410
Davie Community Foundation NPP	9,000
ROR/Mebane Foundation	750
Woodson Foundation Kaleidoscope	4,200
	<u>\$ 33,657</u>

NOTE 11 - BOARD DESIGNATED FUNDS

Occasionally, Smart Start of Davie's Board designates a portion of financial assets for various programs. In the event of an unanticipated liquidity need, the Smart Start of Davie's Board could use these designated financial assets to meet unanticipated liquidity needs. At June 30, 2023, the Smart Start of Davie had Board designated funds of \$55,244 for the following programs:

Program	Amount
Strengthening the Foundations of Quality	\$ 6,736
Parents as Teachers	1,010
Nurturing Parenting Program	13,192
Reach Out and Read	2,289
Community Education and Outreach	8,957
Program Coordination	1,733
Administration	10,015
Dolly Parton Imagination Library	555
Kaleidoscope: Play With a Purpose	10,757
	<u>\$ 55,244</u>

NOTE 12 - FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

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

Financial assets at year-end	\$ 223,196
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time and purpose restrictions (See Note 10A)	(63,555)
Board Designations: (see Note 11)	<u>(55,244)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 104,397</u>

Smart Start of Davie is supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Smart Start of Davie must maintain sufficient resources to meet these responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As part of Smart Start of Davie's liquidity management, it has a policy to keep on hand 25% of annual expected expenditures.

NOTE 13 - INCOME TAXES

Smart Start of Davie is exempt from payment of income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except to the extent of taxes on any unrelated business income.

FASB ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing financial statements to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Management has analyzed the tax positions taken by Smart Start of Davie and has concluded that, as of June 30, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

Income tax returns for 2020 through 2022 remain open to examination by the tax authorities.

NOTE 14 - SUBSEQUENT EVENTS

Smart Start of Davie has evaluated events and transactions that occurred between June 30, 2023 and February 13, 2024, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Events or transactions that provided evidence about conditions that did not exist at June 30, 2023 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2023.

This information is an integral part of the financial statements.

SUPPLEMENTARY INFORMATION

Smart Start of Davie County, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2023

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Individuals:				
Community Education: Various Individuals-Cookies w/Santa, Dr. Seuss Day, KidsFest, Novant Health Birthing Center	\$ 1,232	\$ -	\$ -	\$ -
Community Education: Various Individuals- KidsFest	-	-	250	-
Dolly Parton Imagination Library: Various Individuals-Children's books	-	-	2	-
Kaleidoscope: Various Individuals-Summer Enrichment, Valentine books	-	-	104	-
Nurturing Parents: Various Individuals-Summer Enrichment, Children's books	-	-	85	-
Parents as Teachers: Various Individuals-Summer Enrichment, Goals & Assets, Family support, Halloween event	-	-	814	-
Reach Out and Read: Various Individuals-Children's books	-	-	4,709	-
Administration: Early Educators Conference, Outdoor Learning Environment	-	-	89	-
Community Education: Spanish Interpreter	-	-	57	-
	<u>\$ 1,232</u>	<u>\$ -</u>	<u>\$ 6,110</u>	<u>\$ -</u>

See Independent Auditor's Report

Smart Start of Davie County, Inc.

Schedule of State Level Service Provider Contracts (Unaudited)

For the Year Ended June 30, 2023

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$ *	\$ 40,000
Davie County Department Health and Human Services	164,000
	<u>\$ 204,000</u>

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 3 - Funding from Grant Awards and Contracts.

- * These organizations are represented on the Partnership's Board as described in Note 4 - Service Provider Contracts with Board Member Organizations.

Smart Start of Davie County, Inc.
Schedule of State Awards - Modified Cash Basis
For the Year Ended June 30, 2023

Schedule 3

<u>State Grantor/Pass-through Grantor/Program</u>	<u>Receipts</u>	<u>Expenditures</u>
State Awards:		
North Carolina Department of Health and Human Services		
Division of Child Development and Early Education		
Pass-through from The North Carolina Partnership for Children, Inc.		
Early Childhood Initiatives Program (Current Year)	* \$ 315,095	\$ 315,095
Dolly Parton Imagination Library Expansion (Current Year)	4,404	9,034
	<u> </u>	<u> </u>
Total Receipts and Expenditures of State Awards	<u>\$ 319,499</u>	<u>\$ 324,129</u>

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

Smart Start of Davie County, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2023

Schedule 4

Furniture and Noncomputer Equipment	\$ 43,240
Computer Equipment/Printers	53,789
Leasehold Improvements	<u>9,041</u>
Total Property and Equipment	<u>\$ 106,070</u>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year end. The valuations represent historical cost. On the modified cash basis of accounting, these items are expensed in the year of purchase.

Smart Start of Davie County, Inc.
Schedule of Qualifying Match (Non-GAAP) (Unaudited)
For the Year Ended June 30, 2023

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 134,575
Contributions of Nonfinancial Assets	<u>29,620</u>
	<u>\$ 164,195</u>

Match Provided at the Contractor Level:

Cash	\$ -
Contributions of Nonfinancial Assets	<u>-</u>
	<u>\$ -</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2021-180, Section 9C.6(d). The match is comprised of both cash and contributions of nonfinancial assets. Only contributions of nonfinancial assets that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.

For the fiscal year ended June 30, 2023, Smart Start met the legislative statewide match requirement and will be waiving penalties for local partnerships that do not meet their match requirement for the fiscal year ended June 30, 2023.

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To Board Members of
Smart Start of Davie County, Inc.
Mocksville, 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 Smart Start of Davie County, Inc. (a nonprofit organization), which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2023, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2024.

As described in Note 1, the financial statements were prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Smart Start of Davie County, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Charlotte, North Carolina
February 13, 2024