FINANCIAL STATEMENT AUDIT REPORT OF

SMART START OF DAVIE COUNTY, INC.

MOCKSVILLE, NORTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2025

BOARD OF DIRECTORS

KIM MCCLURE, BOARD CHAIR

ADMINISTRATIVE OFFICER

GENA TAYLOR, EXECUTIVE DIRECTOR

Smart Start of Davie County, Inc.

Index

CohnReznick

Independent Auditor's Report

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

Report on 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, 2025, 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, 2025, 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 October 23, 2025, 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.

CohnReznick LLP

Charlotte, North Carolina
October 23, 2025

Smart Start of Davie County, Inc.
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2025 ***Exhibit A***

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Receipts:			
State Awards and Contracts	$ 312,125	$ -	$ 312,125
Private Contributions	24,581	24,800	49,381
Special Fundraising Events	73,768	-	73,768
Interest and Investment Earnings	580	-	580
Sales Tax Refunds	3,799	-	3,799
Other Receipts	3,085	-	3,085
Total Receipts	417,938	24,800	442,738
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	75,168	(75,168)	-
	493,106	(50,368)	442,738
Expenditures:			
Programs:			
Child Care and Education Quality	158,796	-	158,796
Family Support	161,659	-	161,659
Management and General	98,762	-	98,762
Program Planning, Coordination and Evaluation	37,379	-	37,379
Other:			
Sales Tax Paid	2,294	-	2,294
Total Expenditures	458,890	-	458,890
Excess (Deficiency) of Receipts Over Expenditures	34,216	(50,368)	(16,152)
Net Assets at Beginning of Year	169,679	90,484	260,163
Net Assets at End of Year	$ 203,895	$ 40,116	$ 244,011
Net Assets Consisted of:			
Cash and Cash Equivalents	$ 204,370	$ 40,116	$ 244,486
Less: Funds Held for Others	475	-	475
Total Net Assets	$ 203,895	$ 40,116	$ 244,011

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, 2025
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 Funds:								
Programs:								
Child Care and Education Quality	$ 103,703	$ 53,259	$ 30,560	$ 5,110	$ 8,577	$ 5,652	$ 545	$ -
Family Support	75,857	54,210	-	5,533	7,236	8,866	12	-
	179,560	107,469	30,560	10,643	15,813	14,518	557	-
Support:								
Management and General	89,141	76,064	2,568	3,240	1,509	5,754	6	-
Program Planning, Coordination and Evaluation	35,424	24,114	6,954	1,725	995	1,630	6	-
	124,565	100,178	9,522	4,965	2,504	7,384	12	-
Total Smart Start Fund Expenditures	$ 304,125	$ 207,647	$ 40,082	$ 15,608	$ 18,317	$ 21,902	$ 569	$ -
Other Funds:								
Programs:								
Child Care and Education Quality	$ 55,093	$ 18,854	$ 30,372	$ 115	$ 4,801	$ -	$ 613	$ 338
Family Support	85,802	52,561	835	6,210	12,380	7,617	1,026	5,173
	140,895	71,415	31,207	6,325	17,181	7,617	1,639	5,511
Support:								
Management and General	9,621	5,278	-	1,814	578	1,951	-	-
Program Planning, Coordination and Evaluation	1,955	1,467	-	19	146	-	323	-
	11,576	6,745	-	1,833	724	1,951	323	-
Other:								
Sales Tax Paid	2,294	-	-	2,294	-	-	-	-
	2,294	-	-	2,294	-	-	-	-
Total Other Funds Expenditures	$ 154,765	$ 78,160	$ 31,207	$ 10,452	$ 17,905	$ 9,568	$ 1,962	$ 5,511

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - 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 (donors include other types of contributors, including makers of certain grants). As permitted by this Standard, contributions with donor restrictions received and expended in the same year are reported as receipts without donor restrictions rather than receipts with donor restrictions.

Contributions with donor restrictions that are not expended within the year received are reported as an increase in net assets with donor restrictions. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Receipts, Expenditures, and Net Assets – 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, 2025, Smart Start of Davie was holding amounts withheld from employee paychecks for IRA contributions in the total amount of $442 and for dental insurance premiums in the total amount of $33.

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, 2025. Donated items are recorded on the property and equipment log at estimated fair 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, 2025, Smart Start of Davie did not receive any contributions of other financial assets. Under the modified cash basis of accounting, the qualifying match reported on Schedule 5 for cash provided at the contractor level and for donated assets and services at both the Partnership and contractor levels is not recorded. See supplemental Schedule 5 for more information on the contributions of nonfinancial assets.

NOTE 2 - DEPOSITS

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, 2025, Smart Start of Davie’s bank deposits in excess of the FDIC insured limit was $11,406.

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 by DHHS is presented on Schedule 2 accompanying the financial statements.

Smart Start of Davie was awarded, received and expended $304,125 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, 2025.

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 funds under a Dolly Parton Imagination Library Expansion Grant (DPIL) with NCPC. The term of the grant is July 1, 2023 through June 30, 2025 with an award amount of $16,000. During the year ended June 30, 2025, Smart Start of Davie received $8,000 and expended $8,848. 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 expects to receive continued funding through new DPIL contracts with NCPC.

Novant Health Grant - Smart Start of Davie was awarded and received $12,000 and expended $5,000 for a book distribution grant with Novant Health.

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

Davie Community Foundation - Smart Start of Davie was awarded and received $10,950 and expended $10,330 for a Kaleidoscope: Play With a Purpose grant with Davie Community Foundation.

Smart Start of Davie expects to receive continued funding through new grants with Davie Community Foundation.

Mebane Community Foundation - Smart Start of Davie was awarded, received and expended $25,311 of a current year award for a Parents as Teachers and Triple P grant with Mebane Community Foundation.

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

Mebane Community Foundation - Smart Start of Davie was awarded funds under a Strengthening the Foundations of Quality: Preschool Coach grant with Mebane Community Foundation. During the year ended June 30, 2025, Smart Start of Davie expended $33,218.

Smart Start of Davie expects to receive continued funding through new grants with Mebane Community Foundation.

Margaret C. Woodson Foundation - Smart Start of Davie was awarded, received and expended $6,550 for a Kaleidoscope: Play With a Purpose grant with Margaret C. Woodson Foundation.

Smart Start of Davie expects to receive continued funding through new grants with Margaret C. Woodson Foundation.

Davie Community Foundation - Pearls of Empowerment - Smart Start of Davie was awarded, received, and expended $8,250 for a Triple P grant with Davie Community Foundation - Pearls of Empowerment.

Smart Start of Davie expects to receive continued funding through new grants with Davie Community Foundation - Pearls of Empowerment.

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. During the year, Smart Start of Davie entered into contract with board member organization for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by 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, daily practices, and evaluation of service delivery, needs assessment and strategic planning. Also, costs associated with providing technical assistance, monitoring, and reporting of 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, 2025:

Fiscal Year	Operating Leases
2026	$ 24,000
2027	24,000
Total Minimum Lease Payments	$ 48,000

Total rental expense for operating leases for the fiscal year was $24,000.

NOTE 7 - PENSION PLAN

A. Retirement Plans - Smart Start of Davie has a Defined Contribution 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 contributed 5% of gross wages for the year ended June 30, 2025. 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 $9,956 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:

Type of Loss	Method Managed	Risk of Loss Retained
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, 2025 is $6,291. 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, 2025 are restricted for the following purposes:

Purpose	Amount
KidsFest	$ 2,000
Dolly Parton Imagination Library	13,831
Kaleidoscope: Play With a Purpose	15,500
Little Free Library	704
Strengthening the Foundations of Quality Preschool Coach	781
Literacy	300
Read, Play, Thrive: Book distribution, KidsFest, Family Support	7,000
	$ 40,116

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2025 by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Dolly Parton Imagination Library	$ 1,758
Mebane Foundation PAT & Triple P	25,311
Woodson Foundation Kaleidoscope	5,550
Dave Community Foundation Kaleidoscope	9,330
Mebane Foundation Strengthening the Foundations of Quality Preschool Coach	33,219
	$ 75,168

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, 2025, Smart Start of Davie had Board designated funds of $43,700 for the following programs:

Purpose	Amount
Strengthening the Foundations of Quality Preschool Coach	$ 18,476
Parents as Teachers	60
Triple P	1,113
Community Education and Outreach	3,813
Kaleidoscope: Play With a Purpose	3,806
Program Coordination and Evaluation	1,922
Reach Out and Read	4,823
Dolly Parton Imagination Library	66
Administrative	9,621
	$ 43,700

NOTE 12 - FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The following represents Smart Start of Davie's financial assets as of June 30, 2025, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2025:

Financial assets at year-end	$ 244,011
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)	(40,116)
Board Designations: (See Note 11)	(43,700)
Financial assets available to meet cash needs for general expenditures within one year	$ 160,195

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.

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, 2025, there were no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

Income tax returns for 2022 through 2024 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, 2025 and October 23, 2025, 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, 2025 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, 2025.

SUPPLEMENTARY INFORMATION

Smart Start of Davie County, Inc.
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2025 ***Schedule 1***

		Smart Start Funds		Other Funds	
Organization Name		**Amount Advanced**	**Refund Due**	**Amount Advanced**	**Refund Due**
Organizations:					
Community Education: DCHealth & Wellness Fair, Fairy Day, Halloween, KidsFest, Roll n Read		$ -	$ -	$ 1,695	$ -
Dolly Parton Imagination Library: Children's books		-	-	754	-
Kaleidoscope PWP: Educational supplies and books		-	-	280	-
Reach Out and Read: Children's books	*	-	-	2,353	-
		-	-	5,082	-
Individuals:					
Community Education: Family in need		-	-	66	-
Community Education: KidsFest Volunteer		-	-	25	-
Strengthening the Foundations of Quality: Trainers and Trainees		-	-	338	-
		-	-	429	-
		$ -	$ -	$ 5,511	$ -

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

See Independent Auditor's Report.

Organization Name		DHHS Contracts
Early Years	*	$ 38,000
Davie County Department of Health and Human Services	*	177,696
		$ 215,696

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

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

Smart Start of Davie County, Inc.
Schedule of State Awards - Modified Cash Basis
For the Year Ended June 30, 2025 ***Schedule 3***

State Grantor/Pass-through Grantor/Program		Receipts	Expenditures
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	*	$ 304,125	$ 304,125
Dolly Parton Imagination Library Expansion		8,000	8,848
Total Receipts and Expenditures of State Awards		$ 312,125	$ 312,973

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

See Independent Auditor's Report.

Smart Start of Davie County, Inc.
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2025 ***Schedule 4***

Furniture and Noncomputer Equipment	$	51,530
Computer Equipment/Printers		53,185
Leasehold Improvements		14,903
Total Property and Equipment	$	119,618

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

See Independent Auditor's Report.

Smart Start of Davie County, Inc.
Schedule of Qualifying Match (Non-GAAP) (Unaudited)
For the Year Ended June 30, 2025 ***Schedule 5***

Match Provided at the Partnership Level:

Cash	$	129,127
Contributions of other nonfinancial assets		29,125
	$	158,252

Match Provided at the Contractor Level:

Cash	$	-
Contributions of other nonfinancial assets		-
	$	-

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2023-134, Section 9D.5.(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, 2025, 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, 2025.

See Independent Auditor's Report.

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

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

We have audited, in accordance with 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, 2025, 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 October 23, 2025.

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 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. 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Smart Start of Davie County, Inc.'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 those limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Smart Start of Davie County, Inc.'s financial statements are free of 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 Smart Start of Davie County, Inc.'s internal control over financial reporting or compliance. This 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. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Charlotte, North Carolina
October 23, 2025