

FINANCIAL STATEMENT AUDIT REPORT OF
WAKE COUNTY SMART START
RALEIGH, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2021

BOARD OF DIRECTORS
SHERRY HEUSER, BOARD CHAIR

ADMINISTRATIVE OFFICER
GAYLE HEADEN, EXECUTIVE DIRECTOR

Wake County Smart Start

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Independent Auditor's Report

To Board Members of
Wake County Smart Start
Raleigh, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of Wake County Smart Start, which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2021, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Receipts, Expenditures and Net Assets of the Wake County Smart Start, as of and for the year ended June 30, 2021, and the Statement of Functional Expenditures for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Other Matters

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 that matter.

Report on 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 21 and Schedule 5 on page 24 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, 22, and 23 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022, on our consideration of Wake County Smart Start'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 Wake County Smart Start'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 Wake County Smart Start's internal control over financial reporting and compliance.



Charlotte, North Carolina
January 21, 2022

Wake County Smart Start
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2021

Exhibit A

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Receipts:			
State Awards and Contracts	\$ 13,074,316	\$ -	\$ 13,074,316
Federal Awards	4,637,720	-	4,637,720
Local Awards	1,482,416	205,612	1,688,028
Private Contributions	266,239	411,825	678,064
Interest and Investment Earnings	3,575	-	3,575
Sales Tax Refunds	16,522	-	16,522
Other Receipts	9,000	-	9,000
Total Receipts	19,489,788	617,437	20,107,225
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	185,974	(185,974)	-
	19,675,762	431,463	20,107,225
Expenditures:			
Programs:			
Child Care and Education Quality	485,759	-	485,759
Family Support	2,370,445	-	2,370,445
Health and Safety	1,411,607	-	1,411,607
NC Pre-K	13,963,916	-	13,963,916
Support:			
Fund Raising	143,945	-	143,945
Management and General	944,543	-	944,543
Program Planning, Coordination and Evaluation	264,986	-	264,986
Other:			
Refund Prior Year Grant	20	-	20
Sales Tax Paid	31,584	-	31,584
Total Expenditures	19,616,805	-	19,616,805
Excess (Deficiency) of Receipts Over Expenditures	58,957	431,463	490,420
Net Assets at Beginning of Year	1,931,273	200,641	2,131,914
Net Assets at End of Year	\$ 1,990,230	\$ 632,104	\$ 2,622,334
Net Assets Consisted of:			
Cash and Cash Equivalents	\$ 2,176,447	\$ 632,104	\$ 2,808,551
Refunds Due From Contractors	109,923	-	109,923
	2,286,370	632,104	2,918,474
Less: Due to State	295,900	-	295,900
Funds Held for Others	240	-	240
Total Net Assets	\$ 1,990,230	\$ 632,104	\$ 2,622,334

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

Wake County Smart Start
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2021

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	\$ 458,800	\$ 301,730	\$ 16,253	\$ 4,666	\$ 7,271	\$ 12,161	\$ 9,481	\$ 107,238
Family Support	2,072,116	343,515	64,340	5,107	7,490	21,029	5,191	1,625,444
Health and Safety	1,075,391	-	-	-	-	-	-	1,075,391
NC Pre-K	3,077,810	184,047	-	3,561	6,456	17,718	3,178	2,862,850
	<u>6,684,117</u>	<u>829,292</u>	<u>80,593</u>	<u>13,334</u>	<u>21,217</u>	<u>50,908</u>	<u>17,850</u>	<u>5,670,923</u>
Support:								
Fund Raising	142,785	117,958	7,800	2,904	3,242	9,292	1,589	-
Management and General	314,241	159,812	67,561	7,549	27,017	36,618	15,684	-
Program Planning, Coordination and Evaluation	264,986	186,279	60,851	2,517	1,498	12,252	1,589	-
	<u>722,012</u>	<u>464,049</u>	<u>136,212</u>	<u>12,970</u>	<u>31,757</u>	<u>58,162</u>	<u>18,862</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 7,406,129</u>	<u>\$ 1,293,341</u>	<u>\$ 216,805</u>	<u>\$ 26,304</u>	<u>\$ 52,974</u>	<u>\$ 109,070</u>	<u>\$ 36,712</u>	<u>\$ 5,670,923</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 26,959	\$ 1,834	\$ 6,950	\$ -	\$ 34	\$ -	\$ -	\$ 18,141
Family Support	298,329	55,259	206,297	-	35	-	1,000	35,738
Health and Safety	336,216	123,341	16,714	630	1,402	80	-	194,049
NC Pre-K	10,886,106	285,834	25,257	926	8,870	9,385	4,762	10,551,072
	<u>11,547,610</u>	<u>466,268</u>	<u>255,218</u>	<u>1,556</u>	<u>10,341</u>	<u>9,465</u>	<u>5,762</u>	<u>10,799,000</u>
Support:								
Fund Raising	1,160	-	1,160	-	-	-	-	-
Management and General	630,302	559,695	13,194	9,282	26,358	21,773	-	-
	<u>631,462</u>	<u>559,695</u>	<u>14,354</u>	<u>9,282</u>	<u>26,358</u>	<u>21,773</u>	<u>-</u>	<u>-</u>
Other:								
Refund of Prior Year Grant	20	-	-	-	-	20	-	-
Sales Tax Paid	31,584	-	-	31,584	-	-	-	-
	<u>31,604</u>	<u>-</u>	<u>-</u>	<u>31,584</u>	<u>-</u>	<u>20</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 12,210,676</u>	<u>\$ 1,025,963</u>	<u>\$ 269,572</u>	<u>\$ 42,422</u>	<u>\$ 36,699</u>	<u>\$ 31,258</u>	<u>\$ 5,762</u>	<u>\$ 10,799,000</u>

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

**WAKE COUNTY SMART START
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - Wake County Smart Start is a legally separate nonprofit organization incorporated on August 18, 1994. Wake County Smart Start was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. Wake County Smart Start 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 Wake County Smart Start'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 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 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. Refunds Due from Contractors** - Refunds Due from Contractors represent the unexpended amount of advances to contractors at year-end that are to be refunded back to the State. As recoveries are collected, the advances are recorded as a reduction to the State awards balance.
- F. Due to State** - The funding provided by the State of North Carolina for the Smart Start Initiative is funded on a cost-reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- G. Fund Held for Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which Wake County Smart Start acts in an agency capacity. For the year ended June 30, 2021, Wake County Smart Start was holding amounts withheld from employee paychecks for optional life insurance premiums.
- H. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Wake County Smart Start is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. Wake County Smart Start 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, 2021. Donated items are recorded on the property and equipment log at estimated acquisition 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.
- I. 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 9A.
- J. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by Wake County Smart Start 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.

K. Qualifying Match and Contributions In-Kind - Wake County Smart Start, 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 cash received and expended at the Partnership level, which is included in the modified cash basis financial statements. The qualifying match reported on Schedule 5 for cash provided at the contractor level and for in-kind goods and services at both the Partnership and contractor levels is not recorded in the modified cash basis financial statements. In-kind contributions could be donated equipment, supplies, office space, or services. Wake County Smart Start also benefits from donor volunteer hours which do not require specific expertise, but which are nonetheless central to Wake County Smart Start's operations. See supplemental Schedule 5 for more information on contributions in-kind.

NOTE 2 - DEPOSITS

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

Deposits over insured amounts subjects Wake County Smart Start to a concentration of credit risk. At June 30, 2021, Wake County Smart Start's bank deposits in excess of the FDIC insured limit was \$2,308,107.

NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS

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

Associated with these contracts, Wake County Smart Start 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 a contracts with and made payments to service providers selected by Wake County Smart Start. The service provider contracts is not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered by DHHS is presented on Schedule 2 accompanying the financial statements.

Wake County Smart Start was awarded and has received \$7,710,047 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. Wake County Smart Start has refunded \$295,900 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2021. In addition, the Wake County Smart Start has refunded \$8,018 of a previous contract during the year ended June 30, 2021.

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

NC Pre-K - Wake County Smart Start also received revenue and support from the State of North Carolina for the NC Pre-K program. Wake County Smart Start was awarded \$9,910,166, received \$9,849,179 and expended \$9,808,675 under a current year financial assistance contract. In addition, the Wake County Smart Start received \$396 and expended \$20 of a prior year contract during the year ended June 30, 2021. A significant reduction in the level of funding from the State could have an adverse effect on the operations of Wake County Smart Start and represents a concentration of credit risk as to the generation of revenue.

Wake County Smart Start expects to receive continued funding through new NC Pre-K contracts with the State.

Wake County - Wake County Smart Start also received revenue and support from Wake County for the NC Pre-K program. Wake County Smart Start was awarded, received, and expended \$1,688,028 under a current year grant contract.

Wake County Smart Start expects to receive continued funding through new NC Pre-K contracts with the County.

Dolly Parton Imagination Library Expansion Program - Wake County Smart Start was awarded, received, and expended \$52,500 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.

Wake County Smart Start expects to receive continued funding through new DPIL contracts with NCPC.

Multi-Partnership Accounting and Contracting Grant - The Wake County Smart Start was awarded, received, and expended \$124,337 under a current year grant with NCPC.

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

Social Innovation Grant (Shape NC) - Wake County Smart Start was awarded up to \$500,000 and received and expended \$116,185 under a contract with NCPC for a Shape NC grant. The term of this contract is March 15, 2017 through May 14, 2021. Wake County Smart Start also received \$41,118 in funds allocated for a prior year during the year ended June 30, 2021. The balance of the award of the contract will be received and expended after June 30, 2021.

Wake County Smart Start does not expect to receive continued funding through new Shape NC contracts with NCPC.

Child Care and Development Block Grant (Healthy Start for Infants and Toddlers) - The Wake County Smart Start was awarded up to \$133,500, received \$105,709 and expended \$114,065 under a current year Healthy Start

for Infants and Toddlers grant with NCPC. Wake County Smart Start also received \$11,821 under a prior year grant during the year ended June 30, 2021.

Wake County Smart Start expects to receive continued funding through new Healthy Start for Infants and Toddlers contracts with NCPC.

COVID Impact Mitigation Grant (Coronavirus Relief Fund) - The Wake County Smart Start received revenue and support from DHHS through NCPC to provide COVID Impact Mitigation services in the County. For the year ended June 30, 2021, Wake County Smart Start was awarded \$37,400 and received and expended \$4,662 under a current year financial assistance contract.

The Wake County Smart Start also received 60 electronic devices under a current year COVID Impact Mitigation Grant with NCPC at a cost of \$60,000. All electronic devices were provided to participants during the year ended June 30, 2021 and no devices were retained by the Wake County Smart Start. Under the modified cash basis of accounting (note 1), in-kind contributions and donated equipment are not recognized.

The Wake County Smart Start does not expect to receive continued funding through new COVID Impact Mitigation grants.

NOTE 4 - RELATED PARTY TRANSACTIONS

A. Service Provider Contracts with Board Member Organizations - The board members of Wake County Smart Start are representative of various organizations that benefit from actions taken by the Board. It is the policy of Wake County Smart Start that board members not be involved with decisions regarding organizations they represent. During the year, Wake County Smart Start entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements. In addition, Schedule 2 identifies contracts entered by DHHS with board member organizations for activities funded by Wake County Smart Start's allocation.

B. Other Related Parties - Wake County Smart Start served as a fiscal agent for with an organization contracting with a board member of Wake County Smart Start. The amounts paid included:

Expenditures	Amount
Kaleidoscope	\$ 261,424
	\$ 261,424

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, professional development and supplements, literacy for child care providers, child care substitutes, provider training, mentoring programs, learning materials and teaching aids, curriculum enhancements, child care needs and resources assessments, and kindergarten orientation/transition.

Family Support - Used to account for service activities including ongoing parenting education, general family support, family intervention, literacy or family literacy projects, transportation services, community systems building and public awareness, and home visiting.

Health and Safety - Used to account for service activities including comprehensive medical home services, child care health consultations, prenatal/newborn services, health care access and support, special needs - early intervention services/special education, or nutrition programs.

NC Pre-K - Used to account for development and implementation of NC Pre-K prekindergarten program for four-year-olds. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

B. Support Functions

Fund Raising - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

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

Program Planning, Coordination and Evaluation - Expenditures that are incurred to coordinate the policies, procedures, 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 data.

NOTE 6 - OPERATING LEASE OBLIGATIONS

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2021:

Fiscal Year	Operating Leases
2022	\$ 119,035
2023	59,518
Total Minimum Lease Payments	<u>\$ 178,553</u>

Rental expense for all operating leases during the year was \$114,166.

NOTE 7 - PENSION PLAN

Deferred Compensation and Supplemental Retirement Income Plans - IRC Section 401(k) Plan - Wake County Smart Start has an IRC Section 401(k) plan (Plan). Wake County Smart Start contributed matching contributions up to 5% under plan provisions for the year ended June 30, 2021. Employees may make voluntary contributions to the Plan. For the year ended June 30, 2021, Wake County Smart Start contributed \$125,520.

NOTE 8 - RISK MANAGEMENT

Wake County Smart Start 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. Wake County Smart Start 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 Wake County Smart Start. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

- A. Compensated Absences** - As a result of Wake County Smart Start'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, 2021, is \$89,302. No funds or reservation of net assets has been made for this commitment.
- B.** In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. As of June 30, 2021, there was no significant impact to the Wake County Smart Start's operations. However, the Wake County Smart Start is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Wake County Smart Start's operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects to the Wake County Smart Start's financial position, results of operations, and cash flows.

NOTE 10 - RESTRICTIONS ON NET ASSETS

- A. Net Assets With Donor Restrictions** - Net assets with donor restrictions at June 30, 2021 are restricted for the following purposes:

Purpose	Amount
Wake County NC PreK	\$ 205,612
Program Services	43,214
Technical Assistance Coalition (TAC)	14,667
The Kaleidoscope Project	213,611
Blue Cross Blue Shield-Exclusionary Discipline	155,000
	<u>\$ 632,104</u>

- B. Net Assets Released From Donor Restrictions** - Net assets were released from donor restrictions during the fiscal year ended June 30, 2021 by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Wake County NC PreK	\$ 22,727
Farm to Child Care Implementation	14,536
COVID Supplies	13,374
Program Services	46,997
Technical Assistance Coalition (TAC)	9,741
The Kaleidoscope Project	78,599
	<u>\$ 185,974</u>

NOTE 11 - BOARD DESIGNATED FUNDS

Occasionally, the Board designates a portion of financial assets for various programs. In the event of an unanticipated liquidity need, Wake County Smart Start's Board could use these designated financial assets to meet unanticipated liquidity needs. At June 30, 2021, Wake County Smart Start had Board designated funds of \$1,684,701 for the development, operation, and administration of program services.

NOTE 12 - FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The following reflects Wake County Smart Start's financial assets as of June 30, 2021 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2021:

Financial assets at year-end	\$ 2,622,334
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)	(632,104)
Board Designated Funds (See Note 11)	<u>(1,684,701)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 305,529</u>

Wake County Smart Start 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, Wake County Smart Start 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 Wake County Smart Start's liquidity plan, excess cash is invested in money market accounts. Wake County Smart Start has Board Designated funds of \$1,684,701 to meet cash flow needs.

NOTE 13 - INCOME TAXES

Wake County Smart Start 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. Wake County Smart Start does not believe there are any unrecognized tax benefits or costs as of June 30, 2021.

Income tax returns for 2018 through 2020 remain open to examination by the tax authorities.

NOTE 14 - SUBSEQUENT EVENTS

Wake County Smart Start has evaluated events and transactions that occurred between June 30, 2021 and January 21, 2022, 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, 2021 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, 2021.

This information is an integral part of the financial statements.

SUPPLEMENTARY INFORMATION

**Wake County Smart Start
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2021**

Schedule 1

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
A Safe Place Child Enrichment Center, Inc.	* \$ 49,464	\$ -	\$ 83,875	\$ -
ABC Land, Inc.	207,269	-	400,493	-
Academically Based Child Care	189,988	-	411,630	-
Arrow Chirstian Preschool	8,429	-	-	-
Bacilio, LLC (Kiddie Academy of Holly Springs	56,448	-	137,187	-
Bright Beginnings of Cary, Inc.	201,969	-	402,993	-
Buttons and Bows Preschool & Kindergarten	154,440	-	446,265	-
Catholic Charities	155,967	12,485	-	-
Child Care Services Association	124,417	-	-	-
Child Development Schools, Inc.	203,014	-	403,829	-
Childcare Network, Inc.	341,544	-	1,050,243	-
Childrens Korner Inc. DBA Gingerbread LittleVersity	-	-	13,796	-
Country Sunshine	7,827	-	-	-
Creative Learning Center	-	-	18,634	-
Creative Learning Enterprise, Inc. (Babes & Kids)	37,535	-	69,341	-
Creative Schools, Inc.(Wakefield Children's Center)	179,808	-	612,445	-
DHIC, Inc.	-	-	10,000	-
Discovery Point Heritage Child Development Center	-	-	5,677	-
Early Preschool and Learning Center, LLC	91,474	-	305,341	-
Family Resource Center South Atlantic	372,520	24,810	-	-
Foundations Academy	-	-	16,688	-
Frankie Lemmon School & Development Center	44,004	-	110,296	-
Goddard School	7,662	-	-	-
Hope Services, LLC	64,582	-	-	-
Iglesia Fiesta Cristiana	35,750	2,932	-	-
Kelly Austin Kindercare	49,242	-	134,511	-
KinderCare Education DBA Heather Park CDC	51,310	-	148,463	-
Kiddie Academy of Briar Creek	-	-	6,988	-
Kids Education Center	8,738	-	-	-
Kids First Academy, Inc.	93,035	-	269,027	-
Kreepers N Crawlers	-	-	329	-
La Petite Academy, Inc.	145,711	-	444,182	-
Learning Together, Inc.	18,798	-	85,827	-
Little Believers Academy	37,098	-	68,877	-
Little Destiny Literacy & Discovery Child Development	40,943	-	194,360	-
Little Hands N Feet Child Care Center, Inc.	35,738	-	130,456	-

**Wake County Smart Start
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2021**

Schedule 1 (continued)

Organization Name	Smart Start Fund		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
Little People Preschool	9,983	-	-	-
Lots of Love	-	-	13,793	-
Lucy Daniels Center	532,121	33,281	-	-
Method Child Development Center, Inc.	39,992	-	152,051	-
Methodist Home for Children, Inc.(Jordan Child & Family Enrichment Center)	28,296	-	151,818	-
Passage Home, Inc.	62,232	6,486	-	-
Precious Promises Academy	-	-	14,572	-
Preston Children's Academy, Inc.	85,869	-	219,345	-
Priceless Child Care, Inc.	-	-	16,372	-
Primary Beginnings, LLC	165,813	-	478,981	-
REE Southeast, Inc.(Little Pros Academy)	8,136	-	11,646	-
SAFEchild, Inc.	78,517	2,958	-	-
Shaw University Center for Early Childhood	33,200	-	181,554	-
Smart Start Advocates	-	-	5,000	-
TLC Operations, Inc.	33,324	-	175,926	-
Telamon Corporation *	-	-	653,865	-
The Cary School	9,905	-	-	-
The Happy Face Preschool & Childcare, Inc.	78,233	-	322,149	-
Triangle Area Parenting Support	48,394	11,450	-	-
Upper Room Christian Academy and Preschool, Inc.	87,281	-	319,789	-
Wake County Human Services *	493,434	3,395	-	-
Wake County Public School System *	608,704	12,126	1,747,209	-
Wanda's Little Hands Educational Center, Inc.	82,462	-	264,340	-
	<u>5,500,620</u>	<u>109,923</u>	<u>10,710,163</u>	<u>-</u>
Individuals:				
COVID Mitigation-Tablets and Hotspots	218,325	-	20,738	-
NC Pre-Kindergarten-Quality Enhancement Materials	73	-	38,998	-
NC Pre-Kindergarten-Racial Equity Program	-	-	8,000	-
Nutrition and Physical Activity Program	-	-	-	-
Nutrition and Physical Activity-Stipend	-	-	2,960	-
Quality Child Care-COVID supplies Child Care Facilities	-	-	18,141	-
Quality Enhancement Professional Development	5,813	-	-	-
Reach Out and Read-Educational Materials	55,295	-	-	-
SHAPE Infant Toddler Be Active Kits	720	-	-	-
	<u>280,226</u>	<u>-</u>	<u>88,837</u>	<u>-</u>
	<u>\$ 5,780,846</u>	<u>\$ 109,923</u>	<u>\$ 10,799,000</u>	<u>\$ -</u>

* These organizations are represented on the Wake County Smart Start's Board as described in Note 4A - Service provider Contracts with Board Member Organizations.

See Independent Auditor's Report.

**Wake County Smart Start
 Schedule of State Level Service Provider Contracts (Unaudited)
 For the Year Ended June 30, 2021**

Schedule 2

Organization Name	DHHS Contracts
Wake County Human Services *	\$ 4,983,458
	<u>\$ 4,983,458</u>

* These organizations are represented on the Wake County Smart Start's Board as described in Note 4A - 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.

See Independent Auditor's Report.

Wake County Smart Start
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2021

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal Assistance Listing Number	Pass-through Identifying Number	Receipts	Expenditures
Federal Awards:				
United States Department of Health and Human Services				
Pass-through from the North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
Child Care and Development Block Grant (NC Pre-K) (Prior Year)	93.575	38252	\$ -	\$ 20
Child Care and Development Block Grant (NC Pre-K) (Current Year)	*	40332	177,555	177,517
Temporary Assistance For Needy Families (NC Pre-K) (Current Year)	** *	40332	4,180,670	4,180,670
United States Department of Health and Human Services				
Pass-through from the Corporation for National Community Service Social Innovation Fund				
Pass through from The North Carolina Partnership for Children, Inc.				
Social Innovation Grant Fund (Shape NC) (Prior Year)	94.019	303-16/17-014	41,118	-
Social Innovation Grant Fund (Shape NC) (Current Year)	94.019	303-16/17-014	116,185	116,185
United States Department of Health and Human Services				
Pass through from the North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
Pass through from The North Carolina Partnership for Children, Inc.				
Child Care and Development Block Grant (Healthy Start for Infants and Toddlers) (Prior Year)	93.575	305:19/20-006	11,821	-
Child Care and Development Block Grant (Healthy Start for Infants and Toddlers) (Current Year)	93.575	314:20/21-067	105,709	114,065
United States Department of Treasury				
Pass through from the 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.				
Coronavirus Relief Fund (Current Year)	21.019	309-20/21-053	4,662	4,662
Total Receipts and Expenditures of Federal Awards			<u>4,637,720</u>	<u>4,593,119</u>
State Awards:				
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
Pass-through from The North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program (Prior Year)			(8,018)	(8,018)
Early Childhood Initiatives Program (Current Year)	*	183-07172020	7,414,147	7,414,147
Multi-Partnership Accounting and Contracting Grant (Current Year)		197:20/21-014	124,337	124,337
Dolly Parton's Imagination Library Expansion (Current Year)			52,500	52,500
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
NC Pre-K (Prior Year)		38252	396	-
NC Pre-K (Current Year)	*	40332	5,490,954	5,450,488
Total Receipts and Expenditures of State Awards			<u>13,074,316</u>	<u>13,033,454</u>
Total Receipts and Expenditures of Federal and State Awards			<u>\$ 17,712,036</u>	<u>\$ 17,626,573</u>

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

** Major Programs per the Uniform Guidance.

See Independent Auditor's Report.

Wake County Smart Start
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2021

Schedule 4

Furniture and Noncomputer Equipment	\$ 32,526
Computer Equipment/Printers	<u>87,433</u>
Total Property and Equipment	<u>\$ 119,959</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.

**Wake County Smart Start
Schedule of Qualifying Match (Non-GAAP) (Unaudited)
For the Year Ended June 30, 2021**

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 2,273,867
In-Kind Goods and Services	<u>-</u>
	<u>\$ 2,273,867</u>

Match Provided at the Contractor Level:

Cash	\$ -
In-Kind Goods and Services	<u>596,235</u>
	<u>\$ 596,235</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2018-5, Section 11B.8.(d). The match is comprised of both cash and in-kind amounts. Only in-kind contributions that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the in-kind 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.

The amounts shown above as allowable for the Partnership in meeting its match requirement do not include allowable amounts included in the North Carolina Families Accessing Services through Technology (NCFAST) system as this information was not available in a timely manner for the fiscal year ended June 30, 2021. For the fiscal year ended June 30, 2021, 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, 2021.

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
Wake County Smart Start
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 Wake County Smart Start (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, 2021, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2022.

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wake County Smart Start'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 Wake County Smart Start's internal control. Accordingly, we do not express an opinion on the effectiveness of Wake County Smart Start'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 Wake County Smart Start'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 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 or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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



Charlotte, North Carolina
January 21, 2022

REPORT ON SINGLE AUDIT
WAKE COUNTY SMART START
RALEIGH, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2021

BOARD OF DIRECTORS
SHERRY HEUSER, BOARD CHAIR

ADMINISTRATIVE OFFICER
GAYLE HEADEN, EXECUTIVE DIRECTOR

Wake County Smart Start

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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
Wake County Smart Start
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 Wake County Smart Start (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, 2021, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2022.

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wake County Smart Start'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 Wake County Smart Start's internal control. Accordingly, we do not express an opinion on the effectiveness of Wake County Smart Start'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 Wake County Smart Start'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 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 or significant deficiencies. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

CohnReznick LLP

Charlotte, North Carolina
January 21, 2022

Independent Auditor's Report on Compliance for the Major Federal Program,
Report on Internal Control Over Compliance and Report on the
Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Wake County Smart Start
Raleigh, North Carolina

Report on Compliance for the Major Federal Program

We have audited Wake County Smart Start's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Wake County Smart Start's major federal program for the year ended June 30, 2021. Wake County Smart Start's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Wake County Smart Start's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wake County Smart Start's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Wake County Smart Start's compliance.

Opinion on the Major Federal Program

In our opinion, Wake County Smart Start complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Wake County Smart Start is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wake County Smart Start's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wake County Smart Start's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Wake County Smart Start as of and for the year ended June 30, 2021, and have issued our report thereon dated January 21, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 to 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

CohnReznick LLP

Charlotte, North Carolina
January 21, 2022

**Wake County Smart Start
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Identifying Number	Provided to Subrecipients	Expenditures
United States Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services Division of Child Development and Early Education Child Care and Development Block Grant (NC Pre-K) (Prior Year)	93.575	38252		\$ 20
Child Care and Development Block Grant (NC Pre-K) (Current Year)	93.575	40332		177,517
United States Department of Health and Human Services Pass through from the North Carolina Department of Health and Human Services Division of Child Development and Early Education Pass through from The North Carolina Partnership for Children, Inc. Child Care and Development Block Grant (Healthy Start for Infants and Toddlers) (Current Year)	93.575	314:20/21-067		<u>114,065</u>
Total CCDF Cluster				<u>291,602</u>
United States Department of Health and Human Services Pass-through from the Corporation for National Community Service Social Innovation Fund Pass through from The North Carolina Partnership for Children, Inc. Social Innovation Grant Fund (Shape NC) (Current Year)	94.019	303-16/17-014		<u>116,185</u>
Total Social Innovation Grant Fund				<u>116,185</u>
United States Department of Health and Human Services Pass-through from the North Carolina Department of Health and Human Services Division of Child Development and Early Education Temporary Assistance For Needy Families (NC Pre-K) (Current Year)	93.558	40332		<u>4,180,670</u>
Total United States Department of Health and Human Services				<u>4,588,457</u>
United States Department of Treasury Pass through from the 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. Coronavirus Relief Fund (Current Year)	21.019	309-20/21-053		<u>64,662</u>
Total United States Department of Treasury				<u>64,662</u>
Total Expenditures of Federal Awards				<u><u>\$ 4,653,119</u></u>

See Notes to Schedule of Expenditures of Federal Awards

**WAKE COUNTY SMART START
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 1 - REPORT ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal award programs of Wake County Smart Start for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Wake County Smart Start, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Wake County Smart Start.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Wake County Smart Start has elected to not use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - NON-CASH ASSISTANCE

The following amounts were expended in the form of non-cash assistance by Wake County Smart Start and are included in the Schedule at fair value:

Electronic Devices (CFDA 21.019)	\$60,000
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**WAKE COUNTY SMART START
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the audited financial statements were prepared in accordance with the modified cash basis of accounting, as described in Note 1.

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

Yes No

Identification of Major Programs:

CFDA Number	Name of Federal Program
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

Yes No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None