

FINANCIAL STATEMENT AUDIT REPORT OF  
PARTNERSHIP OF ASHE  
JEFFERSON, NORTH CAROLINA  
FOR THE YEAR ENDED JUNE 30, 2022

BOARD OF DIRECTORS  
JULIE LANDRY, BOARD CHAIR

ADMINISTRATIVE OFFICER  
KIM BARNES, EXECUTIVE DIRECTOR

Partnership of Ashe

Index

	<u>Page</u>
Independent Auditor's Report	3
Financial Statements	
Exhibits	
A Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis	6
B Statement of Functional Expenditures - Modified Cash Basis	7
Notes to Financial Statements	8
Supplementary Information	
1 Schedule of Contract and Grant Expenditures - Modified Cash Basis	20
2 Schedule of State Level Service Provider Contracts (Unaudited)	21
3 Schedule of Federal and State Awards – Modified Cash Basis	22
4 Schedule of Property and Equipment – Modified Cash Basis	24
5 Schedule of Qualifying Match (Non-GAAP) (Unaudited)	25
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 <i>Government Auditing Standards</i>	26

## Independent Auditor's Report

To Board Members of  
Partnership of Ashe  
Jefferson, North Carolina

Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of Partnership of Ashe, which comprise the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis as of and for the year ended June 30, 2022, 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 Partnership of Ashe as of and for the year ended June 30, 2022, and the Statement of Functional Expenditures - modified cash basis for the year then ended in accordance with the modified cash basis of accounting as 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 Partnership of Ashe, 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 that 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 Partnership of Ashe'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 Partnership of Ashe'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 Partnership of Ashe'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 21 and in Schedule 5 on page 25 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 20, 22, and 24 are also 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 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 REPORT DATE, on our consideration of Partnership of Ashe'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 Partnership of Ashe'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 Partnership of Ashe's internal control over financial reporting and compliance.

Charlotte, North Carolina  
REPORT DATE

**Partnership of Ashe**  
**Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis**  
**For the Year Ended June 30, 2022**

**Exhibit A**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total Funds</b>
<b>Receipts:</b>			
State Awards and Contracts	\$ 468,163	\$ 2,642	\$ 470,805
Federal Awards	280,992	-	280,992
Local Awards	29,998	2	30,000
Private Contributions	128,946	30,078	159,024
Special Fund Raising Events	6,863	25	6,888
Interest and Investment Earnings	779	-	779
Sales Tax Refunds	8,777	-	8,777
Other Receipts	1,643	-	1,643
<b>Total Receipts</b>	<u>926,161</u>	<u>32,747</u>	<u>958,908</u>
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	<u>87,592</u>	<u>(87,592)</u>	<u>-</u>
	<u>1,013,753</u>	<u>(54,845)</u>	<u>958,908</u>
<b>Expenditures:</b>			
Programs:			
Child Care and Education Quality	151,363	-	151,363
Family Support	145,364	-	145,364
Health and Safety	54,989	-	54,989
Crisis Intervention for Domestic Violence & Sexual Assault	320,389	-	320,389
Support:			
Management and General	270,602	-	270,602
Program Planning, Coordination and Evaluation	41,651	-	41,651
Other:			
Refund of Prior Year Grant	856	-	856
Sales Tax Paid	6,681	-	6,681
<b>Total Expenditures</b>	<u>991,895</u>	<u>-</u>	<u>991,895</u>
<b>Excess (Deficiency) of Receipts Over Expenditures</b>	21,858	(54,845)	(32,987)
<b>Net Assets at Beginning of Year</b>	<u>54,318</u>	<u>116,250</u>	<u>170,568</u>
<b>Net Assets at End of Year</b>	<u>\$ 76,176</u>	<u>\$ 61,405</u>	<u>\$ 137,581</u>
<b>Net Assets Consisted of:</b>			
Cash and Cash Equivalents	\$ 88,235	\$ 61,405	\$ 149,640
Less: Due to State	12,179	-	12,179
Funds Held for Others	<u>(120)</u>	<u>-</u>	<u>(120)</u>
<b>Total Net Assets</b>	<u>\$ 76,176</u>	<u>\$ 61,405</u>	<u>\$ 137,581</u>

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

Partnership of Ashe  
Statement of Functional Expenditures - Modified Cash Basis  
For the Year Ended June 30, 2022

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants
<b>Smart Start Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 149,607	\$ 114,450	\$ -	\$ 5,095	\$ 22,520	\$ 3,183	\$ 849	\$ 3,510
Family Support	17,207	5,191	-	718	7,733	1,786	157	1,622
	<u>166,814</u>	<u>119,641</u>	<u>-</u>	<u>5,813</u>	<u>30,253</u>	<u>4,969</u>	<u>1,006</u>	<u>5,132</u>
<b>Support:</b>								
Management and General	93,253	64,544	3,555	3,767	11,174	10,213	-	-
Program Planning, Coordination and Evaluation	41,651	34,950	-	335	5,027	1,339	-	-
	<u>134,904</u>	<u>99,494</u>	<u>3,555</u>	<u>4,102</u>	<u>16,201</u>	<u>11,552</u>	<u>-</u>	<u>-</u>
<b>Total Smart Start Fund Expenditures</b>	<u>\$ 301,718</u>	<u>\$ 219,135</u>	<u>\$ 3,555</u>	<u>\$ 9,915</u>	<u>\$ 46,454</u>	<u>\$ 16,521</u>	<u>\$ 1,006</u>	<u>\$ 5,132</u>
<b>Other Funds:</b>								
<b>Programs:</b>								
Child Care and Education Quality	\$ 1,756	\$ -	\$ -	\$ 1,712	\$ 44	\$ -	\$ -	\$ -
Family Support	128,157	80,978	-	5,673	16,636	3,489	-	21,381
Health and Safety	54,989	41,729	-	2,002	3,691	1,577	2,957	3,033
Crisis Intervention for Domestic Violence & Sexual Assault	320,389	182,959	-	17,199	33,519	32,995	17,746	35,971
	<u>505,291</u>	<u>305,666</u>	<u>-</u>	<u>26,586</u>	<u>53,890</u>	<u>38,061</u>	<u>20,703</u>	<u>60,385</u>
<b>Support:</b>								
Management and General	177,349	1,310	17,761	1,890	5,243	18,876	132,194	75
<b>Other:</b>								
Refund of Prior Year Grant	856	-	-	-	-	856	-	-
Sales Tax Paid	6,681	-	-	6,681	-	-	-	-
	<u>7,537</u>	<u>-</u>	<u>-</u>	<u>6,681</u>	<u>-</u>	<u>856</u>	<u>-</u>	<u>-</u>
<b>Total Other Funds Expenditures</b>	<u>\$ 690,177</u>	<u>\$ 306,976</u>	<u>\$ 17,761</u>	<u>\$ 35,157</u>	<u>\$ 59,133</u>	<u>\$ 57,793</u>	<u>\$ 152,897</u>	<u>\$ 60,460</u>

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

**PARTNERSHIP OF ASHE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

---

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose** - The Partnership of Ashe is a legally separate nonprofit organization incorporated on January 17, 1995. The Partnership of Ashe was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. The Partnership of Ashe 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 the Partnership of Ashe'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, 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. 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.
- F. Funds Held For Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which the Partnership of Ashe acts in an agency capacity. For the year ended June 30, 2022, the Partnership of Ashe was holding amounts withheld from employee paychecks for individual insurance. Funds were paid in advance for Dental/Short Term Disability insurance on behalf of employees and deductions will be made to recover the cost of those premiums subsequent to July 2022.
- G. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, the Partnership of Ashe is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. The Partnership of Ashe 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, 2022. 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.
- H. 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.
- I. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by the Partnership of Ashe 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.
- J. Qualifying Match and Contributions In-Kind** - The Partnership of Ashe, 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, the Partnership of Ashe utilizes fair value on the date of the gift. Nonfinancial assets could be donated equipment, supplies, office space, or services. The Partnership of Ashe also benefits from donor volunteer hours which do not require special expertise, but which are nonetheless central to the Partnership of Ashe's operations. During the year ended June 30, 2022, the Partnership of Ashe 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.

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

**NOTE 2 - DEPOSITS**

All funds of the Partnership of Ashe are deposited with a commercial bank and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Deposits over insured amounts subjects the Partnership of Ashe to a concentration of credit risk. At June 30, 2022, the Partnership of Ashe did not have any bank deposits not insured by FDIC.

**NOTE 3 - FUNDING FROM GRANT AWARDS AND CONTRACTS**

**Smart Start Program** - The Partnership of Ashe'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 the Partnership of Ashe and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, the Partnership of Ashe 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 the Partnership of Ashe. 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.

The Partnership of Ashe was awarded and has received \$313,897 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. The Partnership of Ashe has refunded \$12,179 of this contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2022.

The Partnership of Ashe expects to receive continued funding through new Smart Start contracts with the State.

**Dolly Parton Imagination Library Expansion Program** - The Partnership of Ashe was awarded and received \$10,000 and expended \$9,630 under a current year Dolly Parton Imagination Library Expansion Grant (DPIL) with NCPC. As allowed, the unexpended balance of the prior year contract was carried forward and expended.

The Partnership of Ashe expects to receive continued funding through new DPIL contracts with NCPC.

**Family Violence Prevention** - Partnership of Ashe received revenue and support from the North Carolina Council for Women and Youth Involvement funded through a Family Violence Prevention Services Act (FVPSA) grant. Partnership of Ashe was awarded \$45,000, received \$29,040 and expended \$34,124 under a current year's financial assistance contract during the year ended June 30, 2022. The contract period is October 1, 2021 through September 30, 2023. Partnership of Ashe also received \$6,188 and expended \$3,680 under a prior year contract during the year ended June 30, 2022.

Partnership of Ashe expects to receive continued funding through new FVPSA contracts with the North Carolina Council for Women and Youth Involvement.

**FEMA** - The Partnership of Ashe received revenue and support from the Emergency Food and Shelter Program funded through a Federal Emergency Management Agency (FEMA) grant from the United Way. Partnership of Ashe was awarded \$3,406, received \$0 and expended \$286 under a current year financial assistance contract during the year ended June 30, 2022. Partnership of Ashe also received \$1,371 and expended \$347 under prior year contracts during the year ended June 30, 2022.

Partnership of Ashe expects to receive continued funding through new FEMA contracts with United Way.

**Governor's Crime Commission** - Partnership of Ashe received revenue and support from the North Carolina Department of Crime Control and Public Safety funded through Governor's Crime Commission grants. Partnership of Ashe was awarded \$99,847 for the contract period of October 1, 2021 through September 30, 2022. Partnership of Ashe has received \$53,546 and expended \$72,828 during the year ended June 30, 2022 under this contract. Partnership of Ashe was awarded \$99,847 for the contract period of October 1, 2020 through

September 30, 2021. Partnership of Ashe received \$50,132 and expended \$19,691 under this contract during the year ended June 30, 2022.

Partnership of Ashe expects to receive continued funding from the North Carolina Department of Crime Control and Public Safety.

**Children's Trust Grant** - Partnership of Ashe received additional revenue and support from the North Carolina Department of Health and Human Services under the Children's Trust Program. Partnership of Ashe was awarded \$115,998 and received \$29,719 and refunded \$856 under a prior year financial assistance contract during the year ended June 30, 2022. No amount was expended for this award during the year ended June 30, 2022.

Partnership of Ashe expects to receive continued funding through new DHHS Children's Trust Grants.

**Council for Women** - Partnership of Ashe received revenue and support from the North Carolina Department of Administration funded through Domestic Violence (DV), Sexual Assault (SA), Marriage License (MLF), and Divorce Filing Fees (DFF) grants from the Council for Women and Youth Development. Partnership of Ashe was awarded and received \$126,242 and expended \$120,225 under a current year financial assistance contract. The terms of this contract allow unspent fund to be carried forward and spent by September 30, 2022. Partnership of Ashe also received \$3,126 and expended \$28,075 under a prior year financial assistance contract during the year ended June 30, 2022.

Partnership of Ashe expects to receive continued funding from the North Carolina Department of Administration through Council for Women contracts.

**Child Care Health Consultant** - Partnership of Ashe received revenue and support from NCPCC for a Child Care Health Consultant grant. Partnership of Ashe was awarded \$67,406, received \$46,603, and expended \$54,849 under a previous year's financial assistance contract during the year ended June 30, 2022.

Partnership of Ashe expects to receive continued funding through new Child Care Health Consultant contracts with the NCPCC.

**Safe and Stable Families Program** - Partnership of Ashe received revenue and support from the North Carolina Department of Health and Human Services for the Promoting Safe and Stable Families program. The Partnership of Ashe was awarded \$110,632, received \$94,112, and expended \$108,088 under a current year financial assistance contract during the year ended June 30, 2022.

Partnership of Ashe expects to receive continued funding through new Child Care Health Consultant contracts with the NCPCC.

#### **NOTE 4 - RELATED PARTY TRANSACTIONS**

**Service Provider Contracts with Board Member Organizations** - The board members of the Partnership of Ashe are representative of various organizations that benefit from actions taken by the Board. It is the policy of the Partnership of

Ashe that board members not be involved with decisions regarding organizations they represent. Schedule 2 identifies contracts entered into by DHHS with board member organizations for activities funded by the Partnership of Ashe'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 associated with quality maintenance, child care resource and referral, professional development and supplements, literacy for child care providers, child care substitutes, provider training, mentoring programs, AmeriCorps, 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, or health insurance benefits for child care providers.

**Family Support** - Used to account for service activities associated with family resource centers, teen parent/child programs, 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 activity that includes childcare health consultations.

**Crisis Intervention for Domestic Violence and Sexual Assault** - Used to account for service activities associated with the operation of the domestic violence and sexual assault prevention and intervention program, which includes case management, crisis intervention, community outreach, information, resource and referral, 24-hour crisis line, emergency housing services, and other services for victims and their loved ones.

**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, 2022:

Fiscal Year	Operating Leases
2023	\$ 42,920
2024	16,229
2025	11,388
2026	6,743
Total Minimum Lease Payments	<u>\$ 77,280</u>

Total rental expense for operating leases for the fiscal year was \$34,363.

**NOTE 7 - PENSION PLAN**

**Retirement Plans** - Partnership of Ashe has a Simplified Employee Pension plan (SEP Plan) covering all full-time employees. Each full-time employee of Partnership of Ashe, as a condition of employment, is provided an Individual Retirement Account through an outside insurance company. Partnership of Ashe contributed 5% of gross wages for the year ended June 30, 2022. Partnership of Ashe does not own the accounts nor is it liable for any other cost other than the required contribution. Partnership of Ashe contributed \$13,858 for pension benefits during the year.

**NOTE 8 - RISK MANAGEMENT**

Partnership of Ashe 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. Partnership of Ashe manages these various risks of loss as follows:

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

Management believes such coverage is sufficient to preclude any significant losses to Partnership of Ashe. 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 Partnership of Ashe'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, 2022 is \$21,931. No funds or reservation of net assets has been made for this commitment.
- B. Coronavirus Pandemic** - 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, 2022, there was no significant impact to the Partnership of Ashe's operations. However, the Partnership of Ashe is not able to reliably estimate the length or severity of this outbreak. If the length of the outbreak and related effects on the Partnership of Ashe's operations continues for an extended period of time, there could be a loss of revenue and other material adverse effects to the Partnership of Ashe's financial position, results of operations and cash flows.
- C. Commitments on Contracts** - During the year ended June 30, 2022, Partnership of Ashe entered into a contract with Phipps Construction, LLC in the amount of \$677,621. As of June 30, 2022, \$100,000 has been paid on the contract and the total commitments on contracts is \$577,621.

**NOTE 10 - RESTRICTIONS ON NET ASSETS**

**A. Net Assets With Donor Restrictions - Net assets with donor restrictions at June 30, 2022 are restricted for the following purposes:**

Purpose	Amount
Council for Women - DV Grant: ASHE Program	\$ 2,091
Council for Women - SA Grant: ASHE Program	9
Council for Women - MLF Grant: ASHE Program	(4)
Council for Women - DFF Grant: ASHE Program	99
Cannon Foundation: Building Project	5,000
Dolly Parton Imagination Library Expansion Program (DPIL)	370
Women's Fund of the Blue Ridge: ASHE Program	344
ASHE Private: ASHE Program	43,125
ECE Lending Library: Lending Library	576
Family Foundations: Family Foundations Program	2,098
Planting the Seeds to Read: Planting the Seeds to Read Program	78
Ashe Children's Endowment	7,619
	<u>61,405</u>
	<u>\$ 61,405</u>

**B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2022 by incurring expenditures satisfying the restricted purposes as follows:**

Purpose	Amount
Council for Women DV 20-21: ASHE Program	\$ 9,214
Council for Women ML 20-21: ASHE Program	8,459
Council for Women DFF 20-21: ASHE Program	6,688
Canon Foundation: Building Project	45,000
ECE Lending Library: Lending Library	534
Family Foundations: Family Foundations Program	1,002
Women's Fund of the Blue Ridge: ASHE Program	1,050
ASHE Private: ASHE Program	10,604
Planting the Seeds to Read Private Fund	5,041
	<u>87,592</u>
	<u>\$ 87,592</u>



**NOTE 11 - FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS**

The following reflects Partnership of Ashe’s financial assets as of June 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2022:

Financial assets at year-end	\$ 137,581
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 10 A)	<u>(61,405)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 76,176</u>

The Partnership of Ashe 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, the Partnership of Ashe 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 Partnership of Ashe’s liquidity management, there are structures in place to align financial assets to be available as general expenditures, liabilities, and other obligations come due. In an effort to maintain cash flow and meet financial obligations while waiting on State budget approval and reimbursements from grants, a non-revolving line of credit can be renewed with the bank each fiscal year in the amount of \$50,000. The terms of the agreement allow for interest at a rate of 8.5% with a maturity date of July 27, 2023. As of June 30, 2022, no amount remains outstanding on this line of credit.

**NOTE 12 - INCOME TAXES**

Partnership of Ashe 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. Partnership of Ashe does not believe there are any unrecognized tax benefits or costs as of June 30, 2022.

Income tax returns for 2019 through 2021 remain open to examination by the tax authorities.

**NOTE 13 - SUBSEQUENT EVENTS**

Partnership of Ashe has evaluated events and transactions that occurred between June 30, 2022 and REPORT DATE, 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, 2022 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, 2022.

This information is an integral part of the financial statements.

SUPPLEMENTARY INFORMATION

**Partnership of Ashe**  
**Schedule of Contract and Grant Expenditures - Modified Cash Basis**  
**For the Year Ended June 30, 2022**

**Schedule 1**

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
<b>Organizations:</b>				
Imagination Ashe	\$ -	\$ -	\$ 8,000	\$ -
	-	-	8,000	-
<b>Individuals:</b>				
A Safe Home for Everyone Client Services	-	-	38,202	-
Childcare Providers-Educational Incentives	2,417	-	-	-
Childcare Providers-Supplies	-	-	3,033	-
Family Foundations	2,715	-	11,225	-
	5,132	-	52,460	-
	\$ 5,132	\$ -	\$ 60,460	\$ -

See Independent Auditor's Report

**Partnership of Ashe**  
**Schedule of State Level Service Provider Contracts (Unaudited)**  
**For the Year Ended June 30, 2022**

**Schedule 2**

<u>Organization Name</u>	<u>DHHS Contracts</u>
Ashe County Department of Social Services	* \$ 142,950
	<u>\$ 142,950</u>

\* 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.

See Independent Auditor's Report

**Partnership of Ashe**  
**Schedule of Federal and State Awards - Modified Cash Basis**  
**For the Year Ended June 30, 2022**

**Schedule 3**

Federal/State Grantor/Pass-through Grantor/Program	Federal Assistance Listing Number	Contract Number	Receipts	Expenditures
<b>Federal Awards:</b>				
United States Department of Health and Human Services				
Pass-through from the North Carolina Department of Administration Council for Women				
Family Violence Prevention and Services Act (Prior Year)	93.671	56-1892216	\$ 6,188	\$ 3,680
Family Violence Prevention and Services Act (Current Year)	93.671	56-1892216	29,040	34,124
United States Department of Justice				
Office of Juvenile Justice and Delinquency Prevention				
Pass-through from the North Carolina Department of Crime Control and Public Safety				
Division of Governor's Crime Commission				
Crime Victim Assistance (Safe Home for Everyone) (Prior Year)	16,575	PROJ014147	50,132	19,691
Crime Victim Assistance (Safe Home for Everyone) (Current Year)	16,575	PROJ014147	53,546	72,828
United States Department of Health and Human Services				
Emergency Food and Shelter Program				
Pass-through from United Way				
Emergency Food and Shelter National Board Program (FEMA Grant) (Prior Year)	97.024	632800-013	418	-
Emergency Food and Shelter National Board Program (FEMA Grant) (Prior Year)	97.024	632800-013	357	347
Emergency Food and Shelter National Board Program (FEMA Cares Grant) (Prior Year)	97.024	632800-013	596	-
Emergency Food and Shelter National Board Program (FEMA Phase 39) (Current Year)	97.024	632800-013	-	286
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 (Prior Year)	93.575	313:20/21-07106	46,603	54,849
United States Administration for Children and Families				
Pass-through from the North Carolina Department of Health and Human Services				
Division of Social Services				
Promoting Safe and Stable Families (Safe and Stable Families Program) (Current Year)	93.556	42863	84,700	97,280
Stephanie Tubbs Jones Child Welfare Social Services Program (Safe and Stable Families Program) (Current Year)	93.645	42863	4,706	5,404
Child Abuse and Neglect State Grants (Safe and Stable Families Program) (Current Year)	93.669	42863	4,706	5,404
<b>Total Receipts and Expenditures of Federal Awards</b>			<b>280,992</b>	<b>293,893</b>

**Partnership of Ashe**  
**Schedule of Federal and State Awards - Modified Cash Basis (Continued)**  
**For the Year Ended June 30, 2022**

**Schedule 3 (continued)**

Federal/State Grantor/Pass-through Grantor/Program	Federal Assistance Listing Number	Contract Number	Receipts	Expenditures
<b>State Awards:</b>				
North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
Pass-through from The North Carolina Partnership for Children, Inc.				
Early Childhood Initiatives Program (Current Year)	*	N/A	301,718	301,718
Dolly Parton Imagination Library Expansion (Current Year)		N/A	10,000	9,630
North Carolina Department of Health and Human Services				
Division of Social Services				
Children's Trust Program Services Grant (Prior Year)		40199	29,719	856
North Carolina Department of Health and Human Services				
Council for Women and Domestic Violence Commission				
Domestic Violence (Prior Year)		56-1892216	-	9,194
Marriage License (Prior Year)		56-1892216	1,787	10,854
Divorce Filing Fees (Prior Year)		56-1892216	1,339	8,027
Domestic Violence (Current Year)		56-1892216	54,471	52,388
Sexual Assault (Current Year)		56-1892216	30,936	30,927
Marriage License (Current Year)		56-1892216	20,517	16,691
Divorce Filing Fees (Current Year)		56-1892216	20,318	20,219
<b>Total State Awards</b>			470,805	460,504
<b>Total Federal and State Awards</b>			\$ 751,797	\$ 754,397

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

**Partnership of Ashe**  
**Schedule of Property and Equipment - Modified Cash Basis**  
**For the Year Ended June 30, 2022**

**Schedule 4**

Furniture and Noncomputer Equipment	\$ 45,801
Computer Equipment/Printers	53,252
Buildings	459,067
Motor Vehicles	<u>28,819</u>
<b>Total Property and Equipment</b>	<b><u>\$ 586,939</u></b>

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



**Partnership of Ashe**  
**Schedule of Qualifying Match (Non-GAAP) (Unaudited)**  
**For the Year Ended June 30, 2022**

**Schedule 5**

**Match Provided at the Partnership Level:**

Cash	\$	44,758
Contributions of Nonfinancial Assets		<u>22,067</u>
	\$	<u><u>66,825</u></u>

**Match Provided at the Contractor Level:**

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

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2021-180, Section 9C.6.(d). The match is comprised of both cash and 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, 2022 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, 2022.

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  
Partnership of Ashe  
Jefferson, 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 Partnership of Ashe (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, 2022, 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 REPORT DATE.

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.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Partnership of Ashe'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 Partnership of Ashe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Partnership of Ashe'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 Partnership of Ashe'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 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 that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Partnership of Ashe'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 Partnership of Ashe'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 Partnership of Ashe's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Charlotte, North Carolina  
REPORT DATE