North Carolina Early Childhood Foundation
Audit Committee Agenda
May 17th, 2021, 10:00-11:00 AM
Via Zoom, Meeting ID: 894 7138 2355, Meeting Link Here

NCECF’s mission is to marshal North Carolina’s great people, ideas, and achievements to ensure equitable access to opportunity and success for every child by the end of third grade.

Audit Committee Meeting

10:00 AM  Welcome, Call to Order, and Establish Quorum  Munro Richardson

10:05 AM  2020 Audited Financial Statements & Form 990 – Action
Presentation by Kim Jessup Ripberger & Tina Smith, Bernard Robinson & Company
Review and approve 2020 Audited Financial Statements and Form 990.
Attachment A: Management Letter (pg 1)
Attachment A1: 2020 Audited Financial Statements (pg 4)
Attachment A2: 2020 Form 990 (pending)

10:45 AM  Update Committee Charter – Action  Munro Richardson
Attachment B (pg 19)

Adjourn
DATE

To the Board of Directors
North Carolina Early Childhood Foundation, Inc.
Raleigh, North Carolina

We have audited the financial statements of North Carolina Early Childhood Foundation, Inc. (the “Organization”) for the year ended December 31, 2020, and have issued our report thereon dated DATE. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 17, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Carolina Early Childhood Foundation, Inc. are described in Note 2 to the financial statements. As described in Note 2, during the year ended December 31, 2020, the Organization adopted Accounting Standards Update (ASU) No. 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, effective for fiscal years beginning after December 15, 2018. The adoption of the standard resulted in no changes to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management’s estimate for depreciation of capital assets is based on the useful lives of the fixed assets being depreciated.
- Management’s allocation of functional expenses is based on the client’s working knowledge of their operations as expenses are charged to individual classes based on the nature and substance of the expenses, and their estimated allocation of payroll and resources to the various functions.

We have evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.
The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected the misstatement and a copy of the journal entry is attached.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated DATE.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors, and management of North Carolina Early Childhood Foundation, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,
Client: 112332 - North Carolina Early Childhood Foundation, Inc.
Engagement: North Carolina Early Childhood Foundation, Inc.
Period Ending: 12/31/2020
Trial Balance: Trial Balance
Workpaper: 1320 - Adjusting Journal Entries Report

<table>
<thead>
<tr>
<th>Account</th>
<th>Description</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>15101</td>
<td>Accumulated Depreciation</td>
<td>1,911.08</td>
<td></td>
</tr>
<tr>
<td>56000</td>
<td>Property, Equipment &amp; Software</td>
<td>649.99</td>
<td></td>
</tr>
<tr>
<td>15001</td>
<td>Computer Equipment</td>
<td>2,474.40</td>
<td></td>
</tr>
<tr>
<td>57XXX</td>
<td>Depreciation Expense</td>
<td>86.67</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>2,561.07</strong></td>
<td><strong>2,561.07</strong></td>
</tr>
</tbody>
</table>

Adjusting Journal Entries JE # 1
To expense computer purchase under capitalization threshold and remove fully depreciated asset no longer in use.

15101 Accumulated Depreciation 1,911.08
56000 Property, Equipment & Software 649.99
15001 Computer Equipment 2,474.40
57XXX Depreciation Expense 86.67
Total 2,561.07 2,561.07
NORTH CAROLINA EARLY CHILDHOOD FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for Year Ended December 31, 2019)
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<th>Page No.</th>
</tr>
</thead>
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<tr>
<td>Notes to Financial Statements</td>
<td>7</td>
</tr>
</tbody>
</table>
Independent Auditor's Report

To the Board of Directors
North Carolina Early Childhood Foundation, Inc.
Raleigh, North Carolina

We have audited the accompanying financial statements of North Carolina Early Childhood Foundation, Inc. (a nonprofit corporation) (the "Foundation"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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. 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 Foundation'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 Foundation'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 financial position of North Carolina Early Childhood Foundation, Inc. as of December 31, 2020, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Prior Period Financial Statements

The financial statements of North Carolina Early Childhood Foundation, Inc., as of and for the year ended December 31, 2019 were audited by other auditors whose report dated March 31, 2020, expressed an unmodified opinion on those statements.

Raleigh, North Carolina
DATE
## NORTH CAROLINA EARLY CHILDHOOD FOUNDATION, INC.
### Statement of Financial Position
#### December 31, 2020
(With Comparative Totals for December 31, 2019)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$179,235</td>
<td>$395,871</td>
</tr>
<tr>
<td>Grants and contracts receivable</td>
<td>236,365</td>
<td>489,932</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>2,904</td>
<td>4,414</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>418,504</td>
<td>890,217</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>3,248</td>
<td>4,161</td>
</tr>
<tr>
<td><strong>Noncurrent Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contracts receivable</td>
<td>140,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td>140,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$561,752</td>
<td>$894,378</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$20,869</td>
<td>$42,946</td>
</tr>
<tr>
<td>Accrued paid time off</td>
<td>17,223</td>
<td>13,400</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>38,092</td>
<td>56,346</td>
</tr>
<tr>
<td><strong>Net Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Without donor restrictions</td>
<td>33,628</td>
<td>198,441</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>490,032</td>
<td>639,591</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>523,660</td>
<td>838,032</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$561,752</td>
<td>$894,378</td>
</tr>
</tbody>
</table>

*See Notes to Financial Statements*
### NORTH CAROLINA EARLY CHILDHOOD FOUNDATION, INC.
#### Statement of Activities and Changes in Net Assets
#### Year Ended December 31, 2020
#### (With Comparative Totals for December 31, 2019)

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>2020 Total</th>
<th>2019 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private grants and contributions</td>
<td>$16,038</td>
<td>$387,500</td>
<td>$403,538</td>
<td>$431,561</td>
</tr>
<tr>
<td>Government grants and contracts</td>
<td>121,740</td>
<td>-</td>
<td>121,740</td>
<td>355,809</td>
</tr>
<tr>
<td>Program services</td>
<td>2,083</td>
<td>-</td>
<td>2,083</td>
<td>29,116</td>
</tr>
<tr>
<td>Investment income</td>
<td>476</td>
<td>-</td>
<td>476</td>
<td>4,204</td>
</tr>
<tr>
<td>Paycheck Protection Program</td>
<td>82,017</td>
<td>-</td>
<td>82,017</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>537,059</td>
<td>(537,059)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>759,413</td>
<td>(149,559)</td>
<td>609,854</td>
<td>820,690</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program</td>
<td>718,242</td>
<td>-</td>
<td>718,242</td>
<td>914,673</td>
</tr>
<tr>
<td>Management and general</td>
<td>182,700</td>
<td>-</td>
<td>182,700</td>
<td>129,225</td>
</tr>
<tr>
<td>Fundraising</td>
<td>23,284</td>
<td>-</td>
<td>23,284</td>
<td>29,329</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>924,226</td>
<td>-</td>
<td>924,226</td>
<td>1,073,227</td>
</tr>
<tr>
<td><strong>Changes in net assets</strong></td>
<td>(164,813)</td>
<td>(149,559)</td>
<td>(314,372)</td>
<td>(252,537)</td>
</tr>
<tr>
<td>Net assets - beginning of year</td>
<td>198,441</td>
<td>639,591</td>
<td>838,032</td>
<td>1,090,569</td>
</tr>
<tr>
<td>Net assets - end of year</td>
<td>$33,628</td>
<td>$490,032</td>
<td>$523,660</td>
<td>$838,032</td>
</tr>
</tbody>
</table>

See Notes to Financial Statements

Page 4
## Statement of Functional Expenses

Year Ended December 31, 2020  
(With Comparative Totals for December 31, 2019)

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Program</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total Expenses</th>
<th>Total 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>$ 383,109</td>
<td>$ 121,666</td>
<td>$ 21,691</td>
<td>$ 526,466</td>
<td>$ 425,797</td>
</tr>
<tr>
<td>Contracted services</td>
<td>274,310</td>
<td>51,445</td>
<td>-</td>
<td>325,755</td>
<td>442,643</td>
</tr>
<tr>
<td>Travel and meetings</td>
<td>8,682</td>
<td>1,014</td>
<td>135</td>
<td>9,831</td>
<td>69,689</td>
</tr>
<tr>
<td>Printing and postage</td>
<td>1,069</td>
<td>92</td>
<td>-</td>
<td>1,161</td>
<td>27,603</td>
</tr>
<tr>
<td>Occupancy</td>
<td>17,085</td>
<td>5,136</td>
<td>915</td>
<td>23,136</td>
<td>17,345</td>
</tr>
<tr>
<td>Insurance</td>
<td>2,223</td>
<td>706</td>
<td>126</td>
<td>3,055</td>
<td>1,499</td>
</tr>
<tr>
<td>Advertising</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>19,678</td>
</tr>
<tr>
<td>Grants to others</td>
<td>24,398</td>
<td>302</td>
<td>-</td>
<td>24,700</td>
<td>51,041</td>
</tr>
<tr>
<td>Office and general</td>
<td>7,366</td>
<td>2,339</td>
<td>417</td>
<td>10,122</td>
<td>17,932</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$ 718,242</strong></td>
<td><strong>$ 182,700</strong></td>
<td><strong>$ 23,284</strong></td>
<td><strong>$ 924,226</strong></td>
<td><strong>$ 1,073,227</strong></td>
</tr>
</tbody>
</table>

See Notes to Financial Statements
NORTH CAROLINA EARLY CHILDHOOD FOUNDATION, INC.  
Statement of Cash Flows  
Year Ended December 31, 2020  
(With Comparative Totals for December 31, 2019)  

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$(314,372)</td>
<td>$(252,537)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>913</td>
<td>159</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants receivable</td>
<td>113,567</td>
<td>226,441</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>1,510</td>
<td>108</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued paid time off</td>
<td>(18,254)</td>
<td>16,034</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>-</td>
<td>(35,000)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash used in operating activities</td>
<td>(216,636)</td>
<td>(44,795)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment purchases</td>
<td>-</td>
<td>(1,870)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>-</td>
<td>(1,870)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>(216,636)</td>
<td>(46,665)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>395,871</td>
<td>442,536</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>$179,235</td>
<td>$395,871</td>
</tr>
</tbody>
</table>
NOTE 1 - NATURE OF ACTIVITIES

Nature of Organization

North Carolina Early Childhood Foundation, Inc. (“Foundation”) is a North Carolina nonprofit corporation organized in June 2011. The Foundation's mission is to marshal North Carolina’s great people, ideas and achievements to build a foundation of opportunity and success for every child by the end of third grade. Its vision is for each North Carolina child to have a strong foundation for lifelong health, education and well-being supported by a premiere birth-to-age-eight system.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accrual method records revenue when earned and expenses when incurred. As a result, receivables are recorded as assets, and obligations due are shown as liabilities.

The Organization adopted Accounting Standards Update ("ASU") 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, effective for fiscal years beginning after December 15, 2018. The standard is intended to clarify issues when characterizing grants and similar contracts with government agencies and others as reciprocal transactions or nonreciprocal transactions. The new standard is also intended to assist with difficulties in distinguishing between conditional and unconditional contributions for reporting purposes. The adoption of the standard resulted in no changes to the financial statements.

For financial reporting purposes, the Foundation reports its net assets in the following categories in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic 958, “Not-for-Profit Entities”: net assets without donor restrictions and net assets with donor restrictions. Each category is described below:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions which will be met either by action of the Foundation and/or the passage of time. Donor restricted funds may only be utilized in accordance with the purposes established by the donor of such funds.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include all cash accounts and highly liquid investments with an original maturity of three months or less. At various times during the year, the Foundation’s cash balance in financial institutions exceeded the Federal Deposit Insurance Corporation (FDIC) insurance limit of $250,000 per depositor. These financial institutions have strong credit ratings and management believes that the credit risks related to these deposits are minimal.

Grants and Accounts Receivable
Grants receivable are comprised of amounts due to the Foundation primarily related to multi-year grants awarded prior to year-end. Management believes all amounts are fully collectible and therefore, no provision is made for uncollectible amounts.

Property and Equipment
It is the Foundation's policy to capitalize property and equipment with a cost in excess of $1,000. Lesser amounts are expensed. Property and equipment are carried at cost and are depreciated using the straight line method over the estimated useful lives of the assets: Equipment, five years; Software, three years. Donated assets are recorded as contributions at their estimated fair value.

Accrued Paid Time Off
Full-time employees earn paid time off based on years of continuous eligible service. Up to eighty hours of paid time off can be accrued and carried forward from one year to the next.

Contributed Services
During the year ended December 31, 2020, no amounts have been reflected in the financial statements for contributed services. The Foundation pays for most services requiring specific expertise; however, many individuals volunteer their time and perform a variety of tasks that include assisting with specific programs, fundraising and service on various committees. Such contributed services have not been quantified and do not meet the criteria for recognition in the financial statements.

Revenue Recognition
Revenue consists primarily of private and government grants and contributions. Unconditional and non-reciprocal contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restriction. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 are reported in the statement of activities and changes in net assets as net assets released from restrictions. Conditional promises are not recognized until the conditions upon which they depend are substantially met. The Foundation did not receive any contributions that were conditional during the year ended December 31, 2020. Grant and contract revenue is recorded when the barriers to entitlement are met - generally qualifying costs incurred for cost-reimbursement grants or contracts, or when a unit of service is provided for performance grants.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expense

The Statement of Activities presents expenses by functional classification (program, management and general, and fundraising). Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using an objective basis for the following:

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Method of Allocation by Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payroll</td>
<td>Time and effort (e.g. staff members' time tracking)</td>
</tr>
<tr>
<td>Occupancy and depreciation</td>
<td>Time and effort</td>
</tr>
<tr>
<td>General operations</td>
<td>Time and effort</td>
</tr>
</tbody>
</table>

The Statement of Functional Expenses presents these same expenses by both the functional category (program, management and general, and fundraising) and by natural classification (e.g. payroll, contracted services).

Management and General activities include the functions necessary to provide support for the Foundation’s programs. These include those that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar activities that ensure an adequate working environment and an equitable employment program.

Fundraising activities include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the North Carolina Department of Revenue; therefore, no provision for income taxes has been made in the accompanying financial statements. Contributions to the Foundation are tax deductible.

It is the Foundation's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for 2020. Any changes in the amount of a tax position will be recognized in the period the change occurs.

Prior Year Information

The financial statements display prior-year, summarized information for comparative purposes. The prior year information is presented in total but not by net asset class (unrestricted and donor restricted). Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year then ended, from which the summarized information is derived. The prior year financial statements were audited by other auditors whose report dated March 31, 2020, expressed an unmodified opinion on those statements. Certain reclassifications of prior year amounts were made to conform with current year presentation.
NOTE 3 - LIQUIDITY

The Foundation is substantially supported by contributions and grants, a portion of which are restricted by the donors as to purpose or time. Because a donor's restriction requires resources to be used in a particular manner and/or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, a portion of financial assets may not be available for expenditure within one year. In order to ensure its financial assets are available for general expenditures within one year, the Foundation's Board of Directors approves the annual budget and reviews financial activity regularly.

The information below reflects the Foundation's financial assets, reduced by amounts that are not available for general use within one year:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cash and cash equivalents</td>
<td>$179,235</td>
<td></td>
</tr>
<tr>
<td>Grants receivable due within one year</td>
<td>236,365</td>
<td></td>
</tr>
<tr>
<td>Total financial assets available for general expenditure within one year</td>
<td>$415,600</td>
<td></td>
</tr>
</tbody>
</table>

The Foundation has not reduced the available amount by $490,032 of its total net assets with restrictions because the specific restrictions relate to budgeted initiatives in 2021 and therefore will be available for general expenditures such as payroll.

As part of the Foundation’s liquidity management plan, cash in excess of daily requirements may be invested in short-term investments and money market funds.

In March 2021, the Foundation received a second draw under the Paycheck Protection Program in the amount of $100,961. The proceeds will be used primarily to cover payroll costs during the 24-week covered period in 2021. See Note 11.

NOTE 4 - GRANTS AND CONTRIBUTIONS

The Foundation receives its revenue from a variety of grant sources including both governmental and private agencies. The Statement of Activities line items “Private Grants and Contributions” of $403,538 and “Government Grants and Contracts” of $121,740 consist of the following:

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Amount</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private Grants and Contributions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue Cross and Blue Shield of NC Foundation</td>
<td>$210,000</td>
<td>40%</td>
</tr>
<tr>
<td>Child Trust Foundation</td>
<td>65,000</td>
<td>12%</td>
</tr>
<tr>
<td>Z. Smith Reynolds</td>
<td>30,000</td>
<td>6%</td>
</tr>
<tr>
<td>Other organizations and individuals</td>
<td>98,538</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>403,538</td>
<td></td>
</tr>
<tr>
<td><strong>Government Grants and Contracts:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NC DHHS (Federal Preschool Development Grant)</td>
<td>66,435</td>
<td>13%</td>
</tr>
<tr>
<td>NC Institute of Medicine</td>
<td>55,305</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>121,740</td>
<td></td>
</tr>
<tr>
<td><strong>Total support</strong></td>
<td>$525,278</td>
<td>100%</td>
</tr>
</tbody>
</table>
NOTE 4 - GRANTS AND CONTRIBUTIONS (Continued)

As shown in the previous table, one entity provides 40% of the total support of the Foundation. Due to this concentration, a decrease in funding from this entity could significantly impact the Foundation's ability to conduct its programs at current levels.

Grants and Accounts Receivable

Of the $140,000 classified as noncurrent grants and accounts receivable, $70,000 is due in each of the years ending December 31, 2022 and 2023.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2021:

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>$5,881</td>
</tr>
<tr>
<td>Software</td>
<td>23,369</td>
</tr>
<tr>
<td></td>
<td>29,250</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(26,002)</td>
</tr>
<tr>
<td></td>
<td>$3,248</td>
</tr>
</tbody>
</table>

Depreciation expense totaled $913 and is included within the Occupancy line item in the Statement of Functional Expenses.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance of $20,869 consists of operational accounts payable totaling $15,169 and payroll-related liabilities totaling $5,700.

NOTE 7 - LEASE

The Foundation rents office space on a month-to-month basis. Monthly rent of $1,260 was reduced to $500 after the Foundation moved to a new location in September 2020. Rent expense for 2020 totaled $14,084 and is included within the Occupancy line item in the Statement of Functional Expenses.

NOTE 8 - RETIREMENT PLAN

The Foundation provides a 401(k) retirement plan to its employees. All employees are eligible to participate. The Foundation contributes an amount equal to 3% of gross wages which immediately vests. It makes an additional 4% discretionary contribution which vests up to 100% over a three-year period. Retirement contribution expense for the year ended December 31, 2020 totaled $29,886 and appears within the Payroll line item in the Statement of Functional Expenses.
NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

During 2020, funds totaling $537,059 that were initially restricted for a variety of uses were expended for their intended purpose and released from restriction. The activity in the donor restricted net assets for the year ended December 31, 2020 is summarized below:

<table>
<thead>
<tr>
<th>Program</th>
<th>Net Assets With Donor Restrictions 12/31/2019</th>
<th>Current Year Contributions</th>
<th>Current Year Releases</th>
<th>Net Assets With Donor Restrictions 12/31/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pathways to Grade-Level Reading (1)</td>
<td>$134,285</td>
<td>$0</td>
<td>$(114,381)</td>
<td>$19,904</td>
</tr>
<tr>
<td>Family Forward NC Initiative (2)</td>
<td>179,281</td>
<td>-</td>
<td>(162,632)</td>
<td>16,649</td>
</tr>
<tr>
<td>Social Emotional Health (3)</td>
<td>-</td>
<td>280,000</td>
<td>(66,027)</td>
<td>213,973</td>
</tr>
<tr>
<td>Rebuild Stronger (4)</td>
<td>-</td>
<td>105,000</td>
<td>(56,045)</td>
<td>48,955</td>
</tr>
<tr>
<td>Time restricted (5)</td>
<td>285,000</td>
<td>-</td>
<td>(99,449)</td>
<td>185,551</td>
</tr>
<tr>
<td>All other (6)</td>
<td>41,025</td>
<td>2,500</td>
<td>(38,525)</td>
<td>5,000</td>
</tr>
<tr>
<td>Total restricted net assets</td>
<td>$639,591</td>
<td>$387,500</td>
<td>$(537,059)</td>
<td>$490,032</td>
</tr>
</tbody>
</table>

A description of the program objectives is as follows:

(1) To increase birth-to-age-eight measures to put children on a pathway to grade-level reading.
(2) To enable employers to access and initiate family-friendly workplace practices.
(3) To align and enhance existing services and funding streams for young children's social-emotional health.
(4) To rebuild a strong, accessible child care system in North Carolina.
(5) General operating funds awarded prior to 12/31/19 but not available to be spent until 2020.
(6) Variety of funds to be used for specific future initiatives of the Foundation.

NOTE 10 - RISKS AND CONTINGENCIES

The Foundation's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19) which has been declared a pandemic by the World Health Organization. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Foundation's financial position, operations and cash flows in future periods.

NOTE 11 - PAYCHECK PROTECTION PROGRAM LOAN AND FORGIVENESS

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief and Economic Security (“CARES”) Act that created up to $349 billion in forgivable loans (“Paycheck Protection Program”) to businesses and not-for-profit organizations to pay employees during the COVID-19 pandemic. The Foundation obtained a Paycheck Protection Program loan in 2020 totaling $82,017, which was used primarily to cover payroll costs.
NOTE 11 - PAYCHECK PROTECTION PROGRAM LOAN AND FORGIVENESS (Continued)

For Paycheck Protection Program loans, if the Foundation used the Payroll Protection Program (PPP) loan funds to cover payroll costs, mortgage interest, rent and utility costs over an 8 or 24 week period after the loan was made and maintained employee and compensation levels, they can request forgiveness of the loan. In accordance with ASC 958-605, Not-for-Profit Entities, Revenue Recognition, the forgiveness of the PPP loan is a nonreciprocal, conditional contribution, which is not recognized as income until the conditions are substantially met. At December 31, 2020, management believed the Foundation substantially met the conditions associated with the Paycheck Protection Program to qualify for loan forgiveness in the amount of $82,017. Therefore, the Foundation recognized the loan proceeds as contribution revenue in the accompanying Statement of Activities and Changes in Net Assets. The Foundation received approval for the forgiveness of the full amount of the loan in March 2021.

In March 2021, the Foundation received a second draw under the Paycheck Protection Program in the amount of $100,961. The loan carries an interest rate of 1% with payments of principal and interest beginning ten months after the distribution period in the event the loan is not forgiven based on the criteria above.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through DATE, which is the date the financial statements were available to be issued. Management was not aware of any subsequent events that should be disclosed other than the Paycheck Protection Program loan proceeds received in March 2021 as discussed in Note 11.
The North Carolina Early Childhood Foundation (NCECF)  
Audit Committee Charter

I. Purpose

The Audit Committee is a standing committee of the Board of Directors. The Committee’s purpose is to oversee review of the audited financial statements and IRS Form 990, as well as to review and provide direction to the Board on NCECF’s internal control, risk management, and legal and regulatory compliance functions. The Committee provides direction to the Board on the integrity of financial reports, internal controls and compliance with legal and regulatory requirements.

II. Members

The Audit Committee shall consist of members of the Board. Committee Chair and members shall be appointed annually by the Chair of the Board of Directors. The term for the Chair and Vice-Chair of the Audit Committee is two years. The Chair of the Board of Directors shall serve as an ex-officio member of the Committee.

III. Operations

The Audit Committee shall meet once two times per year or as often as needed. Each regular meeting will focus on at least one of the responsibilities listed below. Minutes shall be maintained and a report of proceedings and actions shall be presented at the next meeting of the Board. Committee members will receive minutes from each meeting. Meetings will be governed by the same rules regarding meeting requirements that apply to the Board.

IV. Responsibilities

The Audit Committee shall consult with staff to review the annual audit and oversee risk management and legal and regulatory compliance, provide oversight and to make recommendations to the Board relating to internal controls, business risks and compliance activities of the Corporation. Primary duties and responsibilities of the Committee are:

1. Oversee the establishment of internal controls that promote good financial stewardship.
2. Assist staff in selecting of internal and an independent auditors and evaluate their performance.
3. Assist and interact with the independent auditors to provide information as requested. Review the engagement of these auditors, including the scope, extent, and procedures of the audit.
4. Review and approve audited financial statements and IRS Form 990 with the independent auditor and staff, and report the results to the Board.
5. Review the annual IRS Form 990 prior to submission.
6. Report the results of the audit to the Board.
7. Review the manners in which business risks of NCECF are being planned for and managed.
8. Oversee NCECF’s compliance with non-profit regulations and grantor standards.

7.1. Review the annual IRS Form 990 prior to submission.

8. Perform an annual evaluation of the Committee’s performance and make applicable recommendations.

9.8. Regularly review and make changes to the charter of the Committee.

 Adopted by the board March 29, 2013.
 Pending approval by Board June 21, 2021.