

**MADDISON & CAISON, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS  
RALEIGH, NORTH CAROLINA

Independent Auditor's Report

To the Board of Directors  
Central Carolina Regional Education Service Alliance  
Raleigh, North Carolina

We have audited the accompanying financial statements of Central Carolina Regional Education Service Alliance (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Carolina Regional Education Service Alliance as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

September 22, 2021

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CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2021	2020
Current assets		
Cash and cash equivalents	\$ 504,533	\$ 448,088
Certificate of deposit	226,067	219,832
Grant receivable	-	50,000
Sales tax receivable	591	91
Total current assets	731,191	718,011
Fixed assets		
Equipment and furniture	23,768	21,103
Website	13,000	13,000
Less accumulated depreciation	(23,323)	(17,074)
Net fixed assets	13,445	17,029
TOTAL ASSETS	\$ 744,636	\$ 735,040
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LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 10,802	\$ 41,596
Payroll liabilities	13,401	14,688
Deferred revenue	32,750	43,272
Refundable advance	172,559	-
Total current liabilities	229,512	99,556
Net assets		
Without donor restrictions		
Net investment in fixed assets	13,445	17,029
Available for general activities	501,679	618,455
Total net assets	515,124	635,484
TOTAL LIABILITIES AND NET ASSETS	\$ 744,636	\$ 735,040

See accompanying accountant's report.  
See accompanying notes to financial statements.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Without Donor Restrictions	
	For the year ended June 30,	
	2021	2020
Support and revenues		
Membership dues	\$ 230,272	\$ 243,023
Contributions	-	500
Contract service revenue	201,210	410,690
Grant revenue	232,073	85,875
Interest income	6,919	7,093
Total support and revenues	670,474	747,181
Expenses		
Program services	616,901	515,625
Management and general	173,933	115,132
Total expenses	790,834	630,757
Change in net assets	(120,360)	116,424
Net assets - beginning of year	635,484	519,060
Net assets - end of year	\$ 515,124	\$ 635,484

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See accompanying accountant's report.  
See accompanying notes to financial statements.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2021

	Program Services			Total Program	Management & General	Total
	CCTI	CCP3	Other			
Salaries and benefits	\$ 48,465	\$ 57,991	\$ -	\$ 106,456	\$ 113,086	\$ 219,542
Payroll taxes	4,252	-	-	4,252	9,921	14,173
Contracted services	283,841	141,843	36,450	462,134	-	462,134
Course supplies and other program support	9,897	25,379	1,417	36,693	-	36,693
Marketing	-	1,713	-	1,713	-	1,713
Travel and meetings	390	2,200	45	2,635	-	2,635
Printing	-	-	-	-	-	-
Supplies	-	90	-	90	1,107	1,197
Equipment rental	-	-	-	-	4,144	4,144
Occupancy	-	-	-	-	23,341	23,341
Professional fees	-	-	-	-	12,503	12,503
Telephone and Internet	-	-	-	-	3,956	3,956
Depreciation	1,583	1,345	-	2,928	3,320	6,248
Insurance	-	-	-	-	2,555	2,555
	<u>\$ 348,428</u>	<u>\$ 230,561</u>	<u>\$ 37,912</u>	<u>\$ 616,901</u>	<u>\$ 173,933</u>	<u>\$ 790,834</u>

See accompanying accountant's report.  
See accompanying notes to financial statements.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2020

	Program Services			Total Program	Management & General	Total
	CCTI	CCP3	Other			
Salaries and benefits	\$ 99,196	\$ 27,540	\$ -	\$ 126,736	\$ 66,130	\$ 192,866
Payroll taxes	7,243	-	-	7,243	4,828	12,071
Contracted services	290,942	18,750	32,607	342,299	-	342,299
Other program support	15,054	33	-	15,087	-	15,087
Travel and meetings	3,010	-	9,204	12,214	-	12,214
Printing	149	-	-	149	7	156
Supplies	-	-	1,572	1,572	1,959	3,531
Equipment rental	460	-	4,075	4,535	2,254	6,789
Occupancy	-	-	5,790	5,790	17,370	23,160
Professional fees	-	-	-	-	10,644	10,644
Telephone and Internet	-	-	-	-	3,175	3,175
Depreciation	-	-	-	-	6,715	6,715
Insurance	-	-	-	-	2,050	2,050
	<u>\$ 416,054</u>	<u>\$ 46,323</u>	<u>\$ 53,248</u>	<u>\$ 515,625</u>	<u>\$ 115,132</u>	<u>\$ 630,757</u>

See accompanying accountant's report.  
See accompanying notes to financial statements.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
STATEMENTS OF CASH FLOWS

	For the year ended June 30,	
	2021	2020
Cash flows from operating activities		
Change in net assets	\$ (120,360)	\$ 116,424
Depreciation	6,248	6,715
Changes in		
Certificate of deposit and accrued interest	(6,235)	(6,079)
Grant receivable	50,000	(50,000)
Sales tax receivable	(500)	2,268
Accounts payable	(30,794)	(16,186)
Payroll liabilities	(1,287)	5,433
Deferred revenue	(10,522)	(120,951)
Refundable advance	172,559	-
	59,109	(62,376)
Net cash flows provided (used) by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(2,664)	(3,750)
Net cash flows used by investing activities	(2,664)	(3,750)
Net increase (decrease) in cash and cash equivalents	56,445	(66,126)
Cash and cash equivalents - beginning of year	448,088	514,214
Cash and cash equivalents - end of year	\$ 504,533	\$ 448,088

See accompanying accountant's report.  
See accompanying notes to financial statements.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

Note 1 - Organizational Purpose

Central Carolina Regional Education Service Alliance (the “Organization” or “CCRESA”) was incorporated in the State of North Carolina in 2015 and is a tax-exempt, nonprofit organization as defined under Section 501(c)(3) of the Internal Revenue Code. The mission of the Organization is to promote and support educational excellence in the member districts and to facilitate communications between the districts and state agencies, elected officials, and educational leaders. CCRESA also provides educational services to member school systems in the central region of the state.

Prior to organization as a 501(c)(3), CCRESA was organized as an interlocal or joint agency established to provide supplemental educational services under the authority of several Local Education Agencies (“LEA”). The Organization’s funds were held in custodial accounts by these LEAs acting as fiscal agents.

Note 2 - Significant Accounting Policies

**Basis of Accounting**

The financial statements of the Organization are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

The Organization’s financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards ASC 958, *Not-for-Profit Entities*.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all money market accounts and highly liquid debt instruments with an original maturity of less than three months to be cash equivalents.

**Property and Equipment**

Fixed assets over \$500 are stated at cost at date of acquisition or fair market value at date of gift. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset, typically five to seven years.



CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

Note 2 - Significant Accounting Policies (continued)

**Accrued Vacation**

The vacation policy of the Organization provides for accumulation of earned vacation leave with such leave being fully vested when earned. Because vacation leave is payable to employees at termination, a liability for the earned but unused balance has been recorded. As of June 30, 2021 and 2020, all accrued vacation is estimated to be used in the next fiscal year and has been included with payroll liabilities in the statement of financial position.

**Net Assets**

Net assets and revenues received are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – net assets available for use in general operations and not subject to donor restrictions.

*Net assets with donor restrictions* – net assets subject to donor-imposed restrictions that are temporary or perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed and/or when the stipulated purpose for which the resource was restricted has been fulfilled.

The Organization did not receive any contributions with donor restrictions during the fiscal year. There are no net assets with donor restrictions as of June 30, 2021.

**Revenue Recognition**

The Organization regularly receives revenue from contracts and conditional grants and recognizes revenue under these agreements as performance obligations are satisfied. The Organization has analyzed its revenue recognition policy in light of Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* (Topic 606). As a result, the Organization believes there are no provisions or rights inherent in its transactions with customers which would indicate changes to its existing revenue recognition policy (see Note 3 and Note 6).

**Membership Dues and Deferred Revenue**

In addition to revenue from contracts, the Organization derives a substantial amount of its revenue from various Local Education Agencies (school systems) that pay membership dues based on the size of their student population. Membership dues are considered reciprocal transactions in that certain benefits are conferred to members with the payment of dues. Deferred revenue as of June 30, 2021 and 2020 consists of membership dues for the next fiscal year that were received prior to year-end. There are no dues recorded as income for which the earnings process (delivery) was not completed during the fiscal year.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

Note 2 - Significant Accounting Policies (continued)

**Functional Allocation of Expenses**

The costs of providing the programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program and supporting services.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Changes in Accounting Principles

As of June 30, 2020, the Organization has adopted and implemented ASU 2014-09 (Topic 606) - *Revenue from Contracts with Customers*. The Organization has applied the ASU retrospectively to all periods presented. No reclassifications or adjustments were determined to be necessary as a result of adopting the new standard.

As of June 30, 2020, the Organization has adopted and implemented ASU 2018-08 (Topic 958) – *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The Organization has applied the ASU on a prospective basis. No reclassifications or adjustments were determined to be necessary as a result of adopting this new standard.

Note 4 – Liquidity and Availability

Financial assets without donor or other restrictions limiting their use that are available for general expenditure within one year of June 30, 2021 are as follows:

Cash and cash equivalents	\$ 504,533
Certificate of deposit	226,067
Sales tax receivable	<u>591</u>
	<u>\$ 731,191</u>

Management believes these assets are more than sufficient to provide for operations in the coming year as the Organization collects substantial dues annually from its membership districts. To manage liquidity, management regularly prioritizes expenditures and adheres to a detailed monthly budget plan.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

Note 5 – Concentration of Risk

The Organization maintains a certificate of deposit and several cash accounts with multiple financial institutions. Interest is accrued and recognized in income when earned. The cash accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At June 30, 2021, the Organization had \$193,147 on deposit in excess of federally insured limits. The Organization believes there is minimal risk regarding its cash and cash equivalents.

Note 6 – Contractual Commitments and Subsequent Renewals

The Organization had the following contractual commitments as of June 30, 2021 and 2020:

**Central Carolina Teaching Initiative (“CCTI”)**

CCRESA entered into a contract with the Wake County Board of Education (the “School System”) on May 1, 2017 to provide program administration and support for an accelerated teacher licensure program. The CCTI program offers individuals who hold bachelor degrees in non-teaching disciplines the opportunity to become fully licensed teachers. Under the terms of the contract, School System employees will be on-loan to the Organization to perform the required services. CCRESA will then reimburse the School System for all salaries and benefits of the on-loan employees on a quarterly basis. Since July 2018, the original agreement with the School System has been amended annually to extend the on-loan positions to support CCTI for one year, with renewable one-year terms thereafter.

**Central Carolina Principal Preparedness Program (“CCP3”)**

On February 10, 2020, the Organization received a conditional grant from the University of North Carolina System to implement and manage a principal leadership development program with the purpose of identifying, preparing and supporting highly effective school principals in North Carolina. The program was originally funded in the amount of \$3,734,194 over five years. A portion of the grant funds will be used to repay forgivable tuition loans to a partnership agency based on successful completion of the program. That portion of the grant is paid directly to the partnership agency. The grant was revised on July 19, 2021 to extend the grant term to six years and was reduced to \$3,620,346 based on program participation. Funds carry over from year to year, and unused funds will be returned to the University of North Carolina System at the end of the six year grant cycle.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

Note 6 – Contractual Commitments and Subsequent Renewals (continued)

As a conditional grant with right of return to the grantor, ASU 2014-09 requires revenue to be recognized as program expenditures are incurred and as performance barriers are met. As of June 30, 2021, the Organization incurred expenses of \$278,203 to plan the program, recruit candidates and administer the program in its first year of operations. Accordingly, the Organization has recognized \$228,203 and \$50,000 of grant income for the years ended June 30, 2021 and 2020, respectively. Funds received in excess of expenditures totaling \$172,559 are recorded as a refundable advance in the statement of financial position as of June 30, 2021.

Note 7 - Lease Commitments

The Organization entered into an agreement to lease office space with a five-year term beginning January 1, 2015 and ending December 31, 2019. The lease was extended on similar terms on June 26, 2019 and now expires on December 31, 2024. Monthly payments are \$1,775. Total office rent expense for each of the years ended June 30, 2021 and 2020 was \$21,300.

The Organization has also contracted to lease copier equipment. The original lease expired March 1, 2017, and the Organization entered into a sixty-month lease for copier equipment on March 20, 2017 with a monthly payment of \$192. The Organization adjusts the existing lease annually to provide for program demand. The current monthly lease payment is \$336.

The following is a schedule by fiscal year of future minimum lease payments required under the operating leases currently in effect as of June 30, 2021:

<u>Year Ended June 30,</u>	
2022	\$ 24,324
2023	21,300
2024	21,300
2025	<u>10,650</u>
Total	<u>\$ 77,574</u>

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

Note 8 – Employee Benefits

Effective July 1, 2017, the Organization adopted a 403(b) retirement plan covering all current employees. Employer contributions for the years ended June 30, 2021 and 2020 totaled \$14,252 and \$14,103, respectively.

Effective February 15, 2019, the Organization agreed to offer a health insurance plan to all full-time employees. Under the plan, the Organization pays the cost of the employee's plan premium and the employee has the option of adding and paying for additional family coverage through salary reduction. Employee health insurance costs for the years ended June 30, 2021 and 2020 totaled \$5,379 and \$4,493, respectively.

Note 9 – Functionalized Expenses

Certain expenses in these financial statements are attributable to more than one program or supporting function. Under ASU 2016-14, these expenses must be allocated over functional categories on a reasonable basis that is consistently applied. Accordingly, management has allocated salaries and related taxes and benefits based on an analysis of staff time and efforts. The direct costs related to professional development events, CCTI, and CCP3 were allocated in full to program services. Management's estimate of usage is the basis for allocating all other costs, such as supplies, equipment rental, occupancy and depreciation.

Note 10 – Related Party

A board member of the Organization is the superintendent of the School System referenced in Note 6. The School System was reimbursed \$220,540 and \$148,722 for the CCTI on-loan employees for the years ended June 30, 2020 and 2019, respectively. In addition, the Organization reported an outstanding payable of \$31,907 to the School System as of June 30, 2020.

Note 11 – Income Taxes

CCRESA, a nonprofit organization, is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been recorded on the financial statements. The Organization has evaluated its tax positions as of June 30, 2021 and believes they exceed the "more likely than not" standard set by FASB ASC 740-10. Consequently, it has not recorded a liability for any potentially imposed taxes or any potentially unrecognized tax benefits. The Internal Revenue Service has determined that the Organization is also exempt from filing *Form 990 – Return of Organization Exempt from Income Tax*.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 and 2020

Note 12 – Uncertainties and Subsequent Events

The Organization's management has evaluated subsequent events through September 22, 2021, the date on which the financial statements were available to be issued. Consideration has been given to the actual as well as the uncertain effects of the COVID-19 pandemic on the Organization's financial position and the results of its operations after June 30, 2021, through September 22, 2021, and thereafter.

In management's judgment, the COVID-19 pandemic does not present an existential threat to the Organization itself, and further, management has determined that conditions are not such that there is substantial doubt about the Organization's ability to operate for another twelve months from September 21, 2021. It is reasonably possible that estimates related to the uncertainties surrounding the COVID-19 pandemic will change within one year of the date of the financial statements due to one or more confirming events and that the effect of the change would be material to the financial statements.

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