

**CENTRAL CAROLINA REGIONAL
EDUCATION SERVICE ALLIANCE**

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 financial position of Central Carolina Regional Education Service Alliance as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Central Carolina Regional Education Service Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 Central Carolina Regional Education Service Alliance's ability to continue as a going concern within 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 generally accepted 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, including omissions, 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 generally accepted 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 Central Carolina Regional Education Service Alliance'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 Central Carolina Regional Education Service Alliance'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.

October 20, 2022

Maddison & Caison, LLP

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2022	2021
Current assets		
Cash and cash equivalents	\$ 790,885	\$ 504,533
Certificate of deposit	128,284	226,067
Accounts receivable	2,689	-
Sales tax receivable	382	591
	922,240	731,191
 Fixed assets		
Equipment and furniture	23,768	23,768
Website	13,000	13,000
Less accumulated depreciation	(28,431)	(23,323)
Net fixed assets	8,337	13,445
 TOTAL ASSETS	\$ 930,577	\$ 744,636

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 103,752	\$ 14,002
Payroll liabilities	13,188	13,401
Deferred revenue	8,200	32,750
Refundable advances	354,389	172,559
	479,529	232,712
 Net assets		
Without donor restrictions		
Net investment in fixed assets	8,337	13,445
Available for general activities	442,711	498,479
Total net assets	451,048	511,924
 TOTAL LIABILITIES AND NET ASSETS	\$ 930,577	\$ 744,636

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,	
	2022	2021
Support and revenues		
Membership dues	\$ 307,068	\$ 230,272
Contributions	822	-
Contract service revenue	193,630	201,210
Grant revenue	359,455	232,073
Interest income	2,506	6,919
Total support and revenues	863,481	670,474
Expenses		
Program services	753,005	620,101
Management and general	171,352	173,933
Total expenses	924,357	794,034
Change in net assets	(60,876)	(123,560)
Net assets - beginning of year	511,924	635,484
Net assets - end of year	\$ 451,048	\$ 511,924

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, 2022

	Program Services			Total Program	Management & General	Total
	CCTI	CCP3	Other			
Salaries and benefits	\$ 49,628	\$ 78,517	\$ -	\$ 128,145	\$ 114,798	\$ 242,943
Payroll taxes	4,646	5,337	-	9,983	5,505	15,488
Contracted services	272,944	190,959	55,202	519,105	-	519,105
Course supplies and other program support	-	65,157	-	65,157	-	65,157
Travel and meetings	412	-	2,773	3,185	-	3,185
Printing and marketing	469	7,972	-	8,441	-	8,441
Supplies	(1,049)	11,084	706	10,741	985	11,726
Equipment rental	-	-	-	-	4,042	4,042
Occupancy	3,504	-	2,336	5,839	17,518	23,357
Professional fees	-	-	-	-	17,250	17,250
Telephone and internet	-	-	-	-	3,882	3,882
Website and technology	1,980	429	-	2,409	-	2,409
Depreciation	-	-	-	-	5,108	5,108
Insurance	-	-	-	-	2,264	2,264
	<u>\$ 332,534</u>	<u>\$ 359,455</u>	<u>\$ 61,017</u>	<u>\$ 753,005</u>	<u>\$ 171,352</u>	<u>\$ 924,357</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, 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	39,650	465,334	-	465,334
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>\$ 41,112</u>	<u>\$ 620,101</u>	<u>\$ 173,933</u>	<u>\$ 794,034</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,	
	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (60,876)	\$ (123,560)
Depreciation	5,108	6,248
Changes in		
Certificate of deposit and accrued interest	97,783	(6,235)
Grant receivable	(2,689)	50,000
Sales tax receivable	209	(500)
Accounts payable	89,750	(27,594)
Payroll liabilities	(213)	(1,287)
Deferred revenue	(24,550)	(10,522)
Refundable advances	181,830	172,559
	286,352	59,109
Net cash flows provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	-	(2,664)
	-	(2,664)
Net cash flows used by investing activities		
Net increase in cash and cash equivalents	286,352	56,445
Cash and cash equivalents - beginning of year	504,533	448,088
Cash and cash equivalents - end of year	\$ 790,885	\$ 504,533

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

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

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 communication 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.

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, 2022 and 2021, 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.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

Note 2 - Significant Accounting Policies (continued)

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, 2022 and 2021.

Revenue Recognition

The Organization regularly receives revenue both from reciprocal contracts and from grants that are conditional. The Organization recognizes revenue under these agreements as performance obligations are satisfied in light of Accounting Standards Update (“ASU”) 2014-09 (Topic 606) - *Revenue from Contracts with Customers* and ASU 2018-08 (Topic 958) - *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Under these standards, reciprocal contract revenue for which the earnings process is not complete is recorded as deferred revenue, and conditional grant receipts for which performance barriers have not yet been met are recorded as refundable advances.

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. There are no dues recorded as income for which the earnings process (delivery of benefits) was not completed during the years ended June 30, 2022 and 2021. Deferred revenue as of June 30, 2022 consists of unearned program revenue (see Note 11) as no membership dues for the coming fiscal year were received prior to year-end. Deferred revenue as of June 30, 2021 consists of membership dues for the next fiscal year that were received prior to year-end.

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.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

Note 2 - Significant Accounting Policies (continued)

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 – 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, 2022 are as follows:

Cash and cash equivalents	\$ 790,885
Certificate of deposit	128,284
Accounts receivable	2,689
Sales tax receivable	<u>382</u>
	<u>\$ 922,240</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.

Note 4 – 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, 2022, the Organization had \$285,207 on deposit in excess of federally insured limits. The Organization believes there is minimal risk regarding its cash and cash equivalents.

The Organization received approximately 64% of its total revenue from the two programs referenced in Note 5 below.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022 and 2021

Note 5 – Contractual and Grant Commitments and Subsequent Renewals

The Organization had the following contractual and grant commitments as of June 30, 2022 and 2021:

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 and through June 2022, 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. The contract was not renewed in July 2022 (see Note 11).

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 increased the potential total funding to \$4,500,000. Annual grant funding is subject to reduction based on participation in the program. 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. The grant was revised on August 29, 2022 to provide additional funding of \$1,361,874 that will be awarded over three years beginning July 1, 2023.

As a conditional grant with right of return to the grantor, ASU 2018-08 requires revenue to be recognized as program expenditures are incurred and as performance barriers are met. As of June 30, 2022, the Organization incurred expenses of \$637,658 to plan the program, recruit candidates and administer the program for two years of operations. Accordingly, the Organization has recognized grant revenue in each of the fiscal years as follows:

<u>Year Ended June 30,</u>	
2020	\$ 50,000
2021	228,203
2022	<u>359,455</u>
Total	<u>\$ 637,658</u>

Funds received in excess of expenditures totaling \$354,389 and \$172,559 are recorded as refundable advances in the statements of financial position as of June 30, 2022 and 2021, respectively.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

Note 6 - 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, 2022 and 2021 was \$21,300.

The Organization entered into a sixty-month lease for copier equipment on March 20, 2017 with a monthly payment of \$192. The Organization adjusted the existing lease annually to provide for program demand. Upon expiration of the lease in March 2022, the Organization entered into a sixty-month lease for new copier equipment. The payment is \$190 per month.

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, 2022:

<u>Year Ended June 30,</u>	
2023	\$ 23,580
2024	23,580
2025	12,930
2026	2,280
2027	<u>1,710</u>
Total	<u>\$ 64,080</u>

Note 7 – 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, 2022 and 2021 totaled \$20,570 and \$14,252, 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, 2022 and 2021 totaled \$7,190 and \$5,379, respectively.

CENTRAL CAROLINA REGIONAL EDUCATION SERVICE ALLIANCE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 and 2021

Note 8 – 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 9 – Related Party

A board member of the Organization is the superintendent of the School System referenced in Note 5. The School System was reimbursed \$230,243 and \$220,540 for the CCTI on-loan employees for the years ended June 30, 2022 and 2021, respectively. In addition, the Organization reported an outstanding payable of \$58,095 to the School System as of June 30, 2022.

Note 10 – 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, 2022 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*.

Note 11 – Uncertainties and Subsequent Events

The Organization's management has evaluated subsequent events through October 20, 2022, 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, 2022, through October 20, 2022, 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 October 20, 2022. 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.

On September 24, 2021, the Board voted to no longer offer the CCTI program in future years. As of October 20, 2022, the Organization is providing the final program requirements to the remaining participants. Deferred program revenue totaling \$8,200 is recorded on the statement of financial position of June 30, 2022, related to these final requirements.