

Alliance Center for Education, Inc.

Financial Report
For the Year Ended
December 31, 2020

ALLIANCE CENTER FOR EDUCATION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alliance Center for Education, Inc.
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Alliance Center for Education, Inc. (the "Center") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and the related statement of activities, functional expenses, and the 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 the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 principles 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 the Center as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Center' 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other financial information is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The other financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other financial information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance the *Government Auditing Standards*, we have also issued our report dated May 4, 2021, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 the Center's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

Gastonia, North Carolina
May 4, 2021

ALLIANCE CENTER FOR EDUCATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,493,154	\$ 202,044
Investments	32,000	32,000
Due from grantors	252,793	383,879
Other receivables	55,973	39,579
Other assets	<u>21,652</u>	<u>11,200</u>
Total current assets	2,855,572	668,702
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	123,187	110,580
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation	1,609,283	1,817,876
OTHER ASSETS, non-current	<u>25,170</u>	<u>25,170</u>
Total assets	<u><u>\$ 4,613,212</u></u>	<u><u>\$ 2,622,328</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 151,742	\$ 193,265
Accrued expenses	262,900	280,994
Deferred revenue	7,895	43,597
Line of credit	-	-
Deposits	150,000	-
Current maturities of long-term debt	<u>1,220,008</u>	<u>49,553</u>
Total current liabilities	1,792,545	567,409
LONG-TERM DEBT, less current maturities	1,035,346	1,049,056
NET ASSETS		
Without donor restrictions	1,522,559	758,937
With donor restrictions	<u>262,762</u>	<u>246,926</u>
Total net assets	1,785,321	1,005,863
Total liabilities and net assets	<u><u>\$ 4,613,212</u></u>	<u><u>\$ 2,622,328</u></u>

ALLIANCE CENTER FOR EDUCATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2020 and 2019

	2020			Total 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUES				
Contributions	\$ 130,981	\$ 89,288	\$ 220,269	\$ 140,421
Grants from governmental agencies	9,332,254	-	9,332,254	8,669,579
In-kind support	1,783,355	-	1,783,355	1,842,367
Investment return	2,664	-	2,664	2,651
Other revenue, net of adjustments	910,731	-	910,731	149,822
	<u>12,159,985</u>	<u>89,288</u>	<u>12,249,273</u>	<u>10,804,840</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of restrictions	<u>73,452</u>	<u>(73,452)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>12,233,437</u>	<u>15,836</u>	<u>12,249,273</u>	<u>10,804,840</u>
EXPENSES				
Program services	10,101,816	-	10,101,816	9,630,959
Supporting services	<u>1,367,999</u>	<u>-</u>	<u>1,367,999</u>	<u>1,213,930</u>
Total expenses	<u>11,469,815</u>	<u>-</u>	<u>11,469,815</u>	<u>10,844,889</u>
CHANGE IN NET ASSETS	763,622	15,836	779,458	(40,049)
NET ASSETS, beginning of year	<u>758,937</u>	<u>246,926</u>	<u>1,005,863</u>	<u>1,045,912</u>
NET ASSETS, end of year	<u>\$ 1,522,559</u>	<u>\$ 262,762</u>	<u>\$ 1,785,321</u>	<u>\$ 1,005,863</u>

BETHLEHEM CENTER OF CHARLOTTE, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 779,458	\$ (40,049)
Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities		
Depreciation	174,799	166,958
Net change in investments	(12,607)	(14,049)
Gain on disposal of assets	(736,608)	-
(Increase) decrease in operating assets:		
Due from grantor	131,086	(135,421)
Other receivables	(16,394)	16,303
Other assets	(10,452)	(14,100)
Accounts payable	(41,523)	89,329
Accrued expenses	(18,094)	106,896
Deferred revenue	(35,702)	(29,285)
Net cash provided in operating activities	213,963	146,582
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of sale of property and equipment	770,402	-
Purchase of property and equipment	-	(54,170)
Deposit on contract to sale property	150,000	-
Net cash provided (used) in investing activities	920,402	(54,170)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	1,218,053	14,000
Principal payments on long-term debt	(61,308)	(45,566)
Net receipts (payments) on line of credit	-	(59,685)
Net cash provided (used) by financing activities	1,156,745	(91,251)
Net increase in cash and cash equivalents	2,291,110	1,161
Cash and cash equivalents:		
Beginning	<u>202,044</u>	<u>200,883</u>
Ending	<u>\$ 2,493,154</u>	<u>\$ 202,044</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Cash payments for interest	<u>\$ 54,414</u>	<u>\$ 51,361</u>

ALLIANCE CENTER FOR EDUCATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2020 and 2019

	Program Services										Supporting Services		
	Head Start	Early Head Start	Head Start Covid Funding	Head Start USDA	Out of School Time	Out of School Time City of Charlotte	Behavioral Health Department	NC Pre-K	Mecklenburg Pre -K	Other Programs	Total	Management and General	Total
Salaries and wages	\$ 3,498,136	\$ 727,640	\$ 289,799	\$ 68,355	\$ 38,586	\$ 127,064	\$ 53,113	\$ 61,413	\$ 402,384	\$ 50,587	\$ 5,317,077	\$ 883,612	\$ 6,200,689
Fringe benefits	579,056	132,745	30,846	10,879	5,218	18,510	13,158	12,622	81,309	6,354	890,697	116,314	1,007,011
Supplies	267,355	20,436	77,766	-	10,565	1,545	5,549	27,797	7,725	6,568	425,306	29,378	454,684
Repairs & maintenance	127,544	11,829	39,777	-	1,967	-	3,239	-	7,061	286	191,703	23,752	215,455
Food program expenses	-	-	-	138,471	-	-	-	-	-	-	138,471	-	138,471
Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
Training	66,357	26,907	-	-	1,535	-	300	-	-	1,000	96,099	5,446	101,545
Utilities	64,414	-	3,404	-	704	-	-	-	5,454	108	74,084	10,996	85,080
Insurance	41,675	3,696	-	-	2,877	-	7,682	-	1,260	143	57,333	13,750	71,083
Contractual services	176,917	27,599	22,113	-	1,877	-	-	-	2,779	19,573	250,858	-	250,858
Other expenses	<u>2,357,915</u>	<u>75,044</u>	<u>13,100</u>	<u>-</u>	<u>11,520</u>	<u>6,232</u>	<u>3,881</u>	<u>-</u>	<u>102,426</u>	<u>1,734</u>	<u>2,571,852</u>	<u>198,288</u>	<u>2,770,140</u>
Total other expenses	7,179,369	1,025,896	476,805	217,705	74,849	153,351	86,922	101,832	610,398	86,353	10,013,480	1,281,536	11,295,016
Depreciation	<u>88,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,336</u>	<u>86,463</u>	<u>174,799</u>
Total 2019 expenses	<u>\$ 7,267,705</u>	<u>\$ 1,025,896</u>	<u>\$ 476,805</u>	<u>\$ 217,705</u>	<u>\$ 74,849</u>	<u>\$ 153,351</u>	<u>\$ 86,922</u>	<u>\$ 101,832</u>	<u>\$ 610,398</u>	<u>\$ 86,353</u>	<u>\$ 10,101,816</u>	<u>\$ 1,367,999</u>	<u>\$ 11,469,815</u>
Total 2018 expenses	<u>\$ 7,311,765</u>	<u>\$ 993,823</u>	<u>\$ -</u>	<u>\$ 449,604</u>	<u>\$ 182,030</u>	<u>\$ 15,563</u>	<u>\$ 96,413</u>	<u>\$ 71,825</u>	<u>\$ 441,765</u>	<u>\$ 68,171</u>	<u>\$ 9,630,959</u>	<u>\$ 1,213,930</u>	<u>\$ 10,844,889</u>

ALLIANCE CENTER FOR EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Alliance Center for Education, Inc. (the “Center”) is a not-for-profit agency for the daily care and benefit of both children and adults in the city of Charlotte, North Carolina. The Center was formerly known as Bethlehem Center of Charlotte, Inc. The name change occurred during 2020 year.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions net assets consist of net assets which can be both undesignated and designated in nature. Undesignated, without donor restrictions net assets are those currently available for use in the day-to-day operations of the Center and those resources invested in property and equipment. From time-to-time, the Board of Directors may designate certain amounts to meet specific objectives of the Center. There were no amounts designated from without donor restrictions net assets at December 31, 2020 and 2019, respectively.

With donor restrictions net assets consist of net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or the passage of time or assets that are to be maintained permanently. When a restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions net assets are reclassified to without donor restrictions net assets and reported in the statement of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the net assets are received, the amounts are reported as without donor restrictions net assets. Generally, the donors of assets that have permanent restrictions permit the Center to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents

The Center considers any highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued in the statement of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market values similar investment securities. Donated investments are recorded at fair value at the date of receipt of the contribution.

ALLIANCE CENTER FOR EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

Receivables consist of grant and other receivables and are stated at cost less an allowance for doubtful accounts. The allowance is management's best estimate of the amounts that will not be collected based on credit worthiness, current economic conditions and other factors. The Center does not charge interest on past due receivables.

Beneficial Interest in Assets Held by Others

The Center recognizes its unconditional right to specified cash flows from an endowment fund established for the sole benefit of the Center that is held by the Foundation for the Carolinas. This asset is measured at the fair value of the underlying securities based on quoted market prices.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property is computed on the straight-line method over the estimated useful lives:

Buildings and improvements	10 to 40 years
Equipment	3 to 15 years
Furniture and fixtures	5 to 7 years
Transportation equipment	5 years

The costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective asset, are expensed currently. The cost and accumulated depreciation of the property and equipment are eliminated from the accounts upon disposal, and any resulting gain or loss is included in revenue and expense. Long-lived assets held and used by the Center are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable.

Under the terms of the various grants, the Center may be prohibited from liquidating certain property and equipment acquired with grant monies.

ALLIANCE CENTER FOR EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

The Center adopted FASB ASC 606 January 1, 2019. The adoption of this standard had no significant impact on actual revenues that are recorded. A significant portion of the Center's revenue and support is obtained through grants administered by various federal, city and state agencies. The Center recognizes this revenue either on prorated basis over the term of the grant or to the extent of expenses incurred. The method of revenue recognition is determined based on the terms of the grant.

Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both as a result of the Center's noncompliance with the terms of the grant.

Income Taxes

The Center is a non-profit organization as defined by the Internal Revenue Code Section 501(c)(3) and, accordingly, is not subject to federal or state income taxes.

The Center adopted the provisions of FASB ASC 740 on January 1, 2009. Under ASC 740, the Center must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The adoption of ASC 740 had no impact on the Center's financial statements. Management of the Center does not believe there are any material uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits. Additionally, the Center has filed Internal Revenue Service Form 990 tax returns as required and all other applicable returns in those jurisdictions where it is required. However, the Center is still open to examination by taxing authorities for year 2017 forward.

Donated Property and Materials

Property and/or materials received as a gift are recorded at fair value at the date of receipt of the contribution.

Donated Services

The Center records contributed services if the services received create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A number of unpaid volunteers, who serve in the capacity of Board members and various volunteer assistants, have made significant contributions of their time in the furtherance of the Center's programs. The value of this contributed time is not reflected in these financial statements since it does not meet the above recognition criteria.

ALLIANCE CENTER FOR EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Support

The Center records various types of in-kind support including contributed facilities, professional services, goods and materials.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

The Center estimates the fair value of its lines of credit and all other financial instruments to be equal to the book value reflected in the accompanying financial statements because of the current nature of these instruments.

Concentration of Credit Risk

Financial instruments that potentially expose the Center to concentrations of credit risk consist principally of cash and cash equivalents and receivables. The Center maintains its cash on deposit with federally insured financial institutions located in North Carolina. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Periodically, the Center may have cash balances in excess of FDIC insured limits.

Liquidity and Availability

All of the Center’s current assets as listed on the balance sheets are available for paying general expenditures in the following year. The Board has not designated any amounts for scholarships for 2020 and 2019, respectively. Therefore, the total assets available for general expenditures in the following year are \$2,855,572 and \$668,702 for the years ended December 31, 2020 and 2019, respectively.

NOTE B – PRIOR YEAR SUMMARIZED INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation on conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center’s financial statements for the year ended December 31, 2019, from which the summarized information was derived.

ALLIANCE CENTER FOR EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE C – FAIR VALUE MEASUREMENT

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lower priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2: Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has specified (contractual term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodologies used at December 31, 2020 and 2019.

Money Market Funds

Valued at \$1 per share.

Common Stocks and Treasury Obligations

Valued at the closing price reported on the active market on which the individual obligations are traded.

Mutual Funds

Valued at net asset value (NAV) of shares held by the plan at the end of the year.

ALLIANCE CENTER FOR EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

Beneficial Interest

The investment in a beneficial interest in a trust is valued on the underlying investments held by the Foundation of the Carolinas. It consists of investments valued at quoted market prices, values based on fund management’s estimates based on certain valuation methods such as cash flow analysis and other valuing methods based on income or other relevant information.

The methods preceding described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the plan’s assets at fair value as of December 31, 2020 and 2019.

	As of December 31, 2020			
	Level 1	Level 2	Level 3	Fair Value
Mutual funds	\$ --	\$ --	\$ --	\$ --
Money market	--	--	--	--
Treasury obligations	32,000	--	--	32,000
Beneficial interest in assets held by others	--	--	123,187	123,187
Total	<u>\$ 32,000</u>	<u>\$ --</u>	<u>\$ 123,187</u>	<u>\$ 155,187</u>

	As of December 31, 2019			
	Level 1	Level 2	Level 3	Fair Value
Mutual funds	\$ --	\$ --	\$ --	\$ --
Money market	--	--	--	--
Treasury obligations	32,000	--	--	32,000
Beneficial interest in assets held by others	--	--	110,580	110,580
Total	<u>\$ 32,000</u>	<u>\$ --</u>	<u>\$ 110,580</u>	<u>\$ 142,580</u>

ALLIANCE CENTER FOR EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE C – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth a summary of changes in the fair value of the fund's level 3 assets for the year ended December 31, 2020.

	Level 3
	<u>For the Year Ended December 31, 2020</u>
	Beneficial interest in assets held by others
Beginning balance	\$ 110,580
Purchases, sales, transfers, issuances And settlements, net	--
Realized and unrealized gains (losses)	<u>12,607</u>
	<u>\$ 123,187</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land and buildings	\$ 2,771,160	\$ 2,847,864
Equipment	99,779	150,297
Furniture and fixtures	133,799	152,509
Transportation equipment	<u>587,663</u>	<u>770,099</u>
	3,592,401	3,920,769
Less accumulated depreciation	<u>1,983,118</u>	<u>2,102,893</u>
	<u>\$ 1,609,283</u>	<u>\$ 1,817,876</u>

During the year ended December 31, 2020 the Center sold two pieces of property and has taken a deposit on a third in anticipation of a closing in 2021. The sales prices for these properties were \$770,400 resulting in a gain of \$736,608 which is included in Other revenue on the Statements of Activities and Changes in Net Assets.

ALLIANCE CENTER FOR EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE E – OPERATING LEASES

The Center has several cancelable operating leases, primarily for the rental of space with respect to its various programs. Cancellation without penalty for these requires advance notice varying from 30 to 60 days. Rental expenses for these leases were approximately \$519,000 and \$473,000 for the years ended December 31, 2020 and 2019, respectively.

Future minimum payments under these lease agreements are as follows for the years ended December 31:

2021	\$	523,000
2022		237,000
2023		111,000
2024		40,000
2025		<u>3,000</u>
	\$	<u>914,000</u>

NOTE F – DONATED USE OF SPACE AND SERVICES

In connection with the administration of the Head Start Grant, the Center is required to generate either a cash match from program service fees or to generate and recognize in-kind program revenue and expenditures. The Center's in-kind revenues and expenses arise principally from donated use of space and donated time.

The Center's in-kind revenues that meet the criteria for recognition in the financial statements are comprised of:

Donated use of space	\$	1,568,411
Donated goods and materials		187,551
Donated professional services		<u>27,393</u>
	\$	<u>1,783,355</u>

The Center's other programs also rely heavily on volunteer services which do not meet the recognition criteria described in Note A. The value of this contributed time associated with programs other than H.H.S. Head Start Program is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

ALLIANCE CENTER FOR EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE G – INDIRECT COSTS

In accordance with requirements from certain grant agreements, the Center has developed an indirect cost program under which costs incurred in one activity may be allocated to other activities. Indirect costs for 2020 were approximately \$1,325,000. Revenues related to the Center's indirect cost program have been eliminated against indirect cost expenses of the same amount in the accompanying financial statements.

NOTE H – RETIREMENT PLAN

The Center has a contributory retirement annuity plan covering substantially all of its employees. The center contributes up to 50% of the employee's salary deferral up to 6% for a maximum contribution of 3% of the employee's salary. Employees make contributions within a limit based on age and salary. Expenses for 2020 and 2019 include contributions made by the Center totaling approximately \$119,000 and \$65,000, respectively.

NOTE I – LINE OF CREDIT

During 2020 and 2019, the Center drew on its various bank lines of credit. The various lines, which provide for maximum borrowings of \$450,000 with interest rates ranging from Prime plus .75 to 1.5% and one is secured by a UCC lien filing and the other is unsecured. The balance at December 31, 2020 and 2019 was \$0.

ALLIANCE CENTER FOR EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE J – LONG-TERM DEBT

Long-term debt as of December 31, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Note payable due to bank, due in 60 monthly payments of \$278 including interest of 6.99%. Secured by vehicle.	\$ --	\$ 14,000
Note payable to First Horizon Bank, due in 60 monthly Installments of \$7,397 including interest at 3.95% with a balloon payment due in November 2021. Secured by real estate and substantially all other assets.	1,037,301	1,084,609
Note payable to the Small Business Association (SBA), issued as part of the Payroll Protection Plan	<u>1,218,053</u>	<u>--</u>
	2,255,354	1,098,609
Less current maturities	<u>1,220,008</u>	<u>49,553</u>
	<u>\$ 1,035,346</u>	<u>\$ 1,049,056</u>

In response to Covid -19 pandemic, the Coronavirus Aid, Relief and Economic Security “CARES” Act was signed into law on March 27, 2020. One provision of the CARES Act is the establishment of the Paycheck Protection Program (PPP), a new loan program under the SBA’s 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Center received PPP loans totaling \$1,218,053. In order to be forgiven, funds from these loans may only be used to satisfy payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on certain other debt obligations. The Center believes it has used a portion of the loan proceeds for qualifying expenses under the PPP. However, additional steps must be taken to apply for and receive forgiveness. Any unforgiven portion of the PPP loan is payable over five years and bears interest at 1%, with the payments deferred six months from the end of the Center’s covered period. It is uncertain at this time what portion of the PPP loan will be forgiven, if any. The loan, to the extent not forgiven, are schedule to mature as follows:

Aggregate annual maturities required on long-term debt December 31, 2020 are as follows:

2022	\$ 243,611
2023	243,611
2024	243,611
2025	243,611
2026	<u>60,902</u>
	<u>\$ 1,035,346</u>

ALLIANCE CENTER FOR EDUCATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE L – CONTINGENCIES AND CONCENTRATIONS

The Center’s support and revenue relate principally to grant funds and contributions. The funds received from federal government agencies for the Head Start grant represents approximately 76% and 82% of all support and revenue received during 2020 and 2019, respectively. Should any funding sources reduce grant monies available to the Center, the impact of such reductions on the Center’s operations could be significant.

NOTE M – WITH DONOR RESTRICTIONS NET ASSETS

With donor restrictions net assets are available for the following purposes:

Property and development	\$	136,095
Scholars Camp		3,480
Foundations of the Carolinas		<u>123,187</u>
Total with donor restrictions net assets	\$	<u>262,762</u>

With donor restrictions assets for property development are for renovations, architectural plans, purchases and major facilities cost for the main building located at 2705 Baltimore Avenue and Sharon Amity location.

An endowment fund held by the Foundation for the Carolinas is for the sole benefit of the Center. The purpose of the endowment fund is to hold and invest assets, the earnings on which may be used to support operating cash flows of the Center. At December 31, 2020, the value of the balance equals \$123,187.

NOTE N - SUBSEQUENT EVENTS

The Center evaluated it’s December 31, 2020 financial statements for subsequent events through the date the financial statements were issued. As a result of the continuing COVID-19 coronavirus pandemic, economic uncertainties still exist which could have future impacts on the Center’s financial position. The Center operates most programs that follow the schedule of the Charlotte-Mecklenburg school system. Currently the US Department of Health and Human Services has continued to fund the program fully and has made additional funds available to help with circumstances specifically related to the virus, such as funds for cleaning and other items. Other financial impacts could occur though such potential impacts are unknown at this time.

OTHER FINANCIAL INFORMATION

ALLIANCE CENTER FOR EDUCATION, INC.
STATEMENT OF OTHER EXPENSES
Year Ended December 31, 2020

	Program Services										Supporting Services		
	Head Start	Early Head Start	Head Start Covid Funding	Head Start USDA	Out of School Time	Out of School Time City of Charlotte	Behavioral Health Department	NC Pre-K	Mecklenburg Pre - K	Other Programs	Total	Management and General	Total
Technology services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Conferences	-	-	-	-	-	-	-	-	-	-	-	-	-
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	-	-
In-kind expenditures	1,783,355	-	-	-	-	-	-	-	-	-	1,783,355	-	1,783,355
Interest expense	-	-	-	-	-	-	-	-	-	-	-	54,414	54,414
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	2,681	2,681
Printing and reproduction	2,336	-	2,998	-	-	-	-	-	-	-	5,334	15,446	20,780
Professional fees	556	-	-	-	-	-	-	-	-	-	556	96,890	97,446
Rent and facilities	482,049	65,273	8,350	-	7,077	6,232	-	-	98,884	273	668,138	6,036	674,174
Telephone	67,666	7,461	-	-	3,478	-	3,817	-	3,542	1,461	87,425	22,821	110,246
Field trip expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Vehicle expense	21,953	2,310	1,752	-	965	-	64	-	-	-	27,044	-	27,044
Total expenses	\$ 2,357,915	\$ 75,044	\$ 13,100	\$ -	\$ 11,520	\$ 6,232	\$ 3,881	\$ -	\$ 102,426	\$ 1,734	\$ 2,571,852	\$ 198,288	\$ 2,770,140

COMPLIANCE SECTION

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 the Board of Directors
Alliance Center for Education, Inc.
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alliance Center for Education, Inc. (the "Center") (nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 4, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson Smith & Wike PLLC

Gastonia, North Carolina
May 4, 2021

Independent Auditor's Report On Compliance For Each Major Program And
On Internal Control Over Compliance Required By The Uniform Guidance

To the Board of Directors
Alliance Center for Education, Inc.
Charlotte, North Carolina

Report on Compliance for Each Major Program

We have audited the Alliance Center for Education, Inc., compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020. The Alliance Center for Education, Inc.'s major program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our opinion does not provide a legal determination on Bethlehem Center of Charlotte Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, the Alliance Center for Education, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Anderson Smith & Wike PLLC

Gastonia, North Carolina
May 4, 2021

**Alliance Center for Education, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2020**

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes Xno
 - Significant Deficiency(s) identified that are not considered to be material weaknesses? ___yes Xnone reported
- Noncompliance material to financial statements noted? ___yes Xno

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

- Material weakness(es) identified? ___yes Xno
 - Significant Deficiency (s) identified that are not considered to be material weaknesses? ___yes Xnone reported
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) ___yes Xno

Identification of major federal programs:

CFDA Numbers	Names of Federal Program or Cluster
93.600	U.S. Department of Health and Human Services Head Start Program

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk auditee? ___yes Xno

**Alliance Center for Education, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020**

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. Summary Schedule of Prior Audit Findings

None reported

**Alliance Center for Education, Inc.
Corrective Action Plan
For the Year Ended December 31, 2020**

Section II. Financial Statement Findings

None reported

Section III. Federal Award Findings and Questioned Costs

None reported

Section IV. Summary Schedule of Prior Audit Findings

None reported

**Alliance Center for Education, Inc.
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2020**

Federal/State Grantor Pass-Through
 Grantor/Program or Cluster Title

U.S. Department of Health and Human Services (H.H.S.) Head Start Program	93.600	\$	7,993,926
U.S. Department of Agriculture pass-through North Carolina Department of Public Instruction Child and adult care food program	10.558	\$	234,794

Alliance Center for Education, Inc.
Note to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal grant activity of the Alliance Center for Education, Inc. under programs of the federal government for the year end December 31, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of Alliance Center for Education, Inc., it is not intended Federal Awards (Uniform Compliance) to and does not present the financial position, changes in net assets or cash flows of Alliance Center for Education, Inc..