

**Alliance Center for Education, Inc.**

Financial Report

For the Year Ended  
December 31, 2025

**Draft**

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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, 2025 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.

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, 2025, 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.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Audit of the Financial Statements**

Management is responsible for the preparation and the 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 misstatements, 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 the Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' 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 auditors' report that includes our opinions. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center'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 the Center'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.

#### **Report on Summarized Comparative Information**

We have previously audited the Center's 2024 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 28, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Supplementary Information**

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with the *Government Auditing Standards*, we have also issued our report dated May 28, 2026, 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 28, 2026

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,372,334	\$ 1,987,670
Investments	13,000	13,000
Due from grantors	291,829	169,144
Other receivables	41,200	37,118
Other assets	4,691	-
Total current assets	1,723,054	2,206,932
BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS	119,897	109,619
PROPERTY AND EQUIPMENT, at cost		
less accumulated depreciation	3,050,701	2,648,572
OTHER ASSETS, non-current	<u>13,013</u>	<u>13,013</u>
Total assets	<u>\$ 4,906,665</u>	<u>\$ 4,978,136</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 109,630	\$ 196,188
Accrued expenses	151,391	398,438
Line of credit	300,000	-
Current maturities of long-term debt	<u>61,076</u>	<u>59,303</u>
Total current liabilities	622,097	653,929
LONG-TERM DEBT, less current maturities	675,159	736,122
<b>NET ASSETS</b>		
Without donor restrictions	3,489,512	3,478,466
With donor restrictions	<u>119,897</u>	<u>109,619</u>
Total net assets	3,609,409	3,588,085
Total liabilities and net assets	<u>\$ 4,906,665</u>	<u>\$ 4,978,136</u>

The accompanying notes are an integral part of the financial statements.

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**ALLIANCE CENTER FOR EDUCATION, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2025 and 2024**

	2025			Total 2024
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 176,019	\$ 4,653	\$ 180,672	\$ 194,180
Grants from governmental agencies	10,229,061	-	10,229,061	10,610,907
In-kind support	2,395,248	-	2,395,248	2,319,251
Investment return	64,926	15,318	80,244	111,973
Other revenue, net of adjustments	107,663	-	107,663	75,134
	<u>12,972,917</u>	<u>19,971</u>	<u>12,992,888</u>	<u>13,311,445</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of restrictions	9,693	(9,693)	-	-
Total support and revenues	<u>12,982,610</u>	<u>10,278</u>	<u>12,992,888</u>	<u>13,311,445</u>
<b>EXPENSES</b>				
Program services	11,516,145	-	11,516,145	11,299,074
Supporting services	1,455,419	-	1,455,419	1,476,364
Total expenses	<u>12,971,564</u>	<u>-</u>	<u>12,971,564</u>	<u>12,775,438</u>
<b>CHANGE IN NET ASSETS</b>	11,046	10,278	21,324	536,007
<b>NET ASSETS, beginning of year</b>	<u>3,478,466</u>	<u>109,619</u>	<u>3,588,085</u>	<u>3,052,078</u>
<b>NET ASSETS, end of year</b>	<u>\$ 3,489,512</u>	<u>\$ 119,897</u>	<u>\$ 3,609,409</u>	<u>\$ 3,588,085</u>

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 21,324	\$ 536,007
Adjustments to reconcile change in net assets to net cash provided by (used) in operating activities		
Depreciation	129,149	106,628
Net change in investments	(15,318)	(10,217)
(Increase) decrease in operating assets:		
Due from grantor	(122,685)	204,423
Other receivables	(4,082)	17,011
Other assets	(4,691)	85,520
Accounts payable	(86,558)	(411,260)
Accrued expenses	(247,047)	156,490
Deferred revenue	-	-
	<u>-</u>	<u>-</u>
Net cash provided (used) in operating activities	(329,908)	684,602
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(531,278)	(1,878,140)
Return of investment	5,040	33,411
	<u>5,040</u>	<u>33,411</u>
Net cash used in investing activities	(526,238)	(1,844,729)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(59,190)	(62,647)
Net receipts (payments) on line of credit	300,000	-
	<u>300,000</u>	<u>-</u>
Net cash provided (used) by financing activities	240,810	(62,647)
Net decrease in cash and cash equivalents	(615,336)	(1,222,774)
Cash and cash equivalents:		
Beginning	<u>1,987,670</u>	<u>3,210,444</u>
Ending	<u>\$ 1,372,334</u>	<u>\$ 1,987,670</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION</b>		
Cash payments for interest	<u>\$ 48,183</u>	<u>\$ 41,259</u>

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2025 and 2024**

	Program Services										Supporting Services	
	Head Start	Early Head Start	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	\$ 3,327,738	\$ 1,411,124	\$ 127,458	\$ 118,327	\$ 72,000	\$ 43,522	\$ 113,370	\$ 324,936	\$ 97,159	\$ 5,635,634	\$ 1,024,499	\$ 6,660,133
Fringe benefits	524,122	282,874	25,977	42,936	-	-	32,323	90,046	20,910	1,019,188	113,813	1,133,001
Supplies	258,836	77,601	-	38,692	-	-	20,277	7,380	16,269	419,055	59,812	478,867
Repairs & maintenance	403,291	185,872	-	12,370	-	-	439	17,788	99	619,859	466	620,325
Food program expenses	-	-	158,549	-	-	-	-	-	-	158,549	-	158,549
Travel	42,359	11,026	-	1,548	-	-	-	-	25	54,958	1,834	56,792
Training	61,907	39,733	-	14,447	-	-	2,034	1,000	3,387	122,508	9,028	131,536
Utilities	48,557	16,950	-	5,361	-	-	-	3,226	-	74,094	-	74,094
Insurance	72,232	7,490	-	13,723	-	-	-	1,733	260	95,438	19,770	115,208
Contractual services	177,217	26,642	1,746	5,081	-	-	2,598	5,618	3,997	222,899	4,123	227,022
Other expenses	2,746,571	122,257	-	35,827	-	-	55,731	42,440	41,314	3,044,140	142,748	3,186,888
Total other expenses	7,662,830	2,181,569	313,730	288,312	72,000	43,522	226,772	494,167	183,420	11,466,322	1,376,093	12,842,415
Depreciation	37,787	193	-	11,843	-	-	-	-	-	49,823	79,326	129,149
Total 2025 expenses	<u>\$ 7,700,617</u>	<u>\$ 2,181,762</u>	<u>\$ 313,730</u>	<u>\$ 300,155</u>	<u>\$ 72,000</u>	<u>\$ 43,522</u>	<u>\$ 226,772</u>	<u>\$ 494,167</u>	<u>\$ 183,420</u>	<u>\$ 11,516,145</u>	<u>\$ 1,455,419</u>	<u>\$ 12,971,564</u>
Total 2024 expenses	<u>\$ 8,503,864</u>	<u>\$ 1,189,511</u>	<u>\$ 391,526</u>	<u>\$ 295,306</u>	<u>\$ 80,027</u>	<u>\$ 90,466</u>	<u>\$ 147,327</u>	<u>\$ 472,419</u>	<u>\$ 128,628</u>	<u>\$ 11,299,074</u>	<u>\$ 1,476,364</u>	<u>\$ 12,775,438</u>

The accompanying notes are an integral part of the financial statements.

Draft

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2025**

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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, 2025 and 2024, 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 six 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, 2025**

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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, 2025**

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

The Center follows FASB ASC 606. 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 follows the provisions of FASB ASC 740. 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. 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 2020 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, 2025**

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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. The Center also has invested in United States Treasury Bills with maturities of less than six months.

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 2025 and 2024, respectively. Therefore, the total assets available for general expenditures in the following year are \$1,723,054 and \$2,206,932 for the years ended December 31, 2025 and 2024, 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, 2024, from which the summarized information was derived.

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2025**

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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, 2025 and 2024.

*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, 2025**

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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, 2025 and 2024.

	<b>As of December 31, 2025</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
Mutual funds	\$ --	\$ --	\$ --	\$ --
Money market	--	--	--	--
Treasury obligations	13,000	--	--	13,000
Beneficial interest in assets held by others	--	--	119,897	119,897
Total	<u>\$ 13,000</u>	<u>\$ --</u>	<u>\$ 119,897</u>	<u>\$ 132,897</u>

	<b>As of December 31, 2024</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>
Mutual funds	\$ --	\$ --	\$ --	\$ --
Money market	--	--	--	--
Treasury obligations	13,000	--	--	13,000
Beneficial interest in assets held by others	--	--	109,619	109,619
Total	<u>\$ 13,000</u>	<u>\$ --</u>	<u>\$ 109,619</u>	<u>\$ 109,619</u>

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2025**

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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, 2025.

	Level 3 <u>For the Year Ended December 31, 2025</u> Beneficial interest in assets held by others
Beginning balance	\$ 109,619
Purchases, sales, transfers, issuances and settlements, net	(5,040)
Realized and unrealized gains (losses)	<u>15,318</u>
	<u>\$ 119,897</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Land and buildings	\$ 3,786,837	\$ 2,370,339
Equipment	99,779	99,779
Furniture and fixtures	36,706	36,706
Transportation equipment	730,658	730,658
Construction-in-process	--	<u>885,220</u>
	<u>4,653,980</u>	<u>4,122,702</u>
Less accumulated depreciation	<u>1,603,279</u>	<u>1,474,130</u>
	<u>\$ 3,050,701</u>	<u>\$ 2,648,572</u>

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2025**

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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 \$427,000 and \$602,000 for the years ended December 31, 2025 and 2024, respectively.

Future minimum payments under these lease agreements if notice of cancellation is not exercised are as follows for the years ended December 31:

2026	\$	331,000
2027		192,000
2028		112,000
2029		<u>86,000</u>
	\$	<u>721,000</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	\$	2,379,188
Donated goods and materials		6,039
Donated professional services		<u>10,021</u>
	\$	<u>2,395,248</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, 2025*

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**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 2025 were approximately \$1,239,000. 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 2025 and 2024 include contributions made by the Center totaling approximately \$123,000 and \$102,000, respectively.

**NOTE I – LINE OF CREDIT**

During 2025 and 2024, the Center has a bank line of credit. The line, which provide for maximum borrowings of \$300,000 for 2025 and 2024, with an interest rate of Prime plus .75% and is secured by a UCC lien filing. The balance outstanding at December 31, 2025 was \$300,000 and 2024 was \$0, respectively.

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2025**

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NOTE J – LONG-TERM DEBT

Long-term debt as of December 31, 2025 and 2024 consists of the following:

	<u>2025</u>	<u>2024</u>
Note payable to First Horizon Bank, due in 83 monthly installments of \$6,848 including interest at 2.95% with a balloon payment due in October 2028. Secured by real estate and substantially all other assets.	\$ 736,235	\$ 795,425
Less current maturities	<u>61,076</u>	<u>59,303</u>
	<u>\$ 675,159</u>	<u>\$ 736,122</u>

Aggregate annual maturities required on long-term debt December 31, 2025 are as follows:

2027	\$ 63,725
2028	<u>611,434</u>
	<u>\$ 675,159</u>

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2025**

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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 68% and 70% of all support and revenue received during 2025 and 2024, 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:

Foundation for the Carolinas	<u>\$ 119,897</u>
Total with donor restrictions net assets	<u>\$ 119,897</u>

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, 2025, the value of the balance equals \$119,897.

NOTE N – FEDERAL INTEREST

The property sold during 2021 included federal interest of \$1,374,304 which was returned to the Department of Health and Human Services. These funds will be utilized in the future by the Center for the purchase of a new facility by filing and receiving approval of a 1303 Form to carry these funds over. During the year 2024, a 1303 Form was approved for the purchase of facilities in the amount of \$1,374,304. There was \$489,085 remaining at December 31, 2024 and it was spent in 2025.

NOTE O – SUBSEQUENT EVENTS

The Center has evaluated subsequent events through May 28, 2026, the date of the financial statements were available to be issued.

***OTHER FINANCIAL INFORMATION***

**Draft**

**ALLIANCE CENTER FOR EDUCATION, INC.**  
**STATEMENT OF OTHER EXPENSES**  
**Year Ended December 31, 2025**

	Program Services									Supporting Services		
	Head Start	Early Head Start	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	2,395,248	-	-	-	-	-	-	-	-	2,395,248	-	2,395,248
Interest expense	-	-	-	-	-	-	-	-	-	-	48,183	48,183
Miscellaneous	417	-	-	-	-	-	-	-	-	417	-	417
Printing and reproduction	47	13	-	9	-	-	-	6	-	75	-	75
Professional fees	-	-	-	-	-	-	-	-	-	-	51,632	51,632
Rent and facilities	253,522	104,471	-	15,292	-	-	45,202	38,951	1,802	459,240	9,727	468,967
Communication and outreach	46,161	17,773	-	10,445	-	-	10,529	2,860	39,512	127,280	33,206	160,486
Field trip expense	-	-	-	10,081	-	-	-	623	-	10,704	-	10,704
Vehicle expense	51,176	-	-	-	-	-	-	-	-	51,176	-	51,176
<b>Total expenses</b>	<b>\$ 2,746,571</b>	<b>\$ 122,257</b>	<b>\$ -</b>	<b>\$ 35,827</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 55,731</b>	<b>\$ 42,440</b>	<b>\$ 41,314</b>	<b>\$ 3,044,140</b>	<b>\$ 142,748</b>	<b>\$ 3,186,888</b>

Draft

***COMPLIANCE SECTION***

**Draft**

Independent Auditors' 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, 2025, 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 28, 2026.

**Report on 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.

## Report on 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 28, 2026

Independent Auditors' Report On Compliance For Each Major Federal 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  
Opinion on Each Major Federal 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, 2025. The Alliance Center for Education, Inc.'s (the "Center") major program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center 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, 2025.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with 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) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Center's federal programs.

**Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and the State Single Audit Implementation Act, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on 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 internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 28, 2026

**Alliance Center for Education, Inc.**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2025**

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Section I. Summary of Auditors' Results

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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 auditors' 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: \$ 1,000,000

Auditee qualified as low-risk auditee? Xyes    \_\_\_no

**Alliance Center for Education, Inc.  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2025**

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**Section II. Financial Statement Findings**

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None reported

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**Section III. Federal Award Findings and Questioned Costs**

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None reported

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**Section IV. Summary Schedule of Prior Audit Findings**

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None reported

**Alliance Center for Education, Inc.  
Corrective Action Plan  
For the Year Ended December 31, 2025**

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**Section II. Financial Statement Findings**

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None reported

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**Section III. Federal Award Findings and Questioned Costs**

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None reported

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**Section IV. Summary Schedule of Prior Audit Findings**

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None reported

**Alliance Center for Education, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2025**

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	\$	8,881,040
U.S. Department of Agriculture pass-through North Carolina Department of Public Instruction Child and adult care food program	10.558	\$	375,913

**Alliance Center for Education, Inc.**  
**Note to Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2025**

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, 2025. 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.